S University of
330.9786 Montana
M4imes (Missoula). Bureau
1970 of Business and
Economic Research
Montana economic
study

Montana Economic Study

research report

part 2: THE INDUSTRIES OF MONTANA

Volume 3, Chapters 5-7

The Trade, Service, and Finance Industries
The Transportation, Communication, and Public Utilities Industries
Government

Maxine C. Johnson

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

STATE DOCUMENTS COLLECTION

JUN 8 1981

MONTANA STATE LIBRARY

Bureau of Business and Economic Research

UNIVERSITY OF MONTANA
MISSOULA
MONTANA

PLEASE RETURN

Montana State Library
3 0864 1004 4646 0

JUN 8 1988

MONTANA STATE LIBRARY
HELENA, MONTANA 59620

Volume 3, Chapters 5-7

The Trade, Service, and Finance Industries
The Transportation, Communication, and Public Utilities Industries
Government

Maxine C. Johnson

JUNE 1970

JAN 9 - 1992

JUN 8 1988

Montana Economic Study

Research Report

Project No. Montana P-31

Prepared under agreement for the Montana State Department of Planning and Economic Development, Montana State Water Resources Board and the University of Montana. The preparation of this document was financed in part through the Urban Planning Grant from the Department of Housing and Urban Development, under the provisions of Section 701 of the Housing Act of 1954, as Amended.

University of Montana
School of Business Administration
Bureau of Business and Economic Research

1970

Volume 3 Contents

Chapter 5

The Trade, Service, and Finance Industries

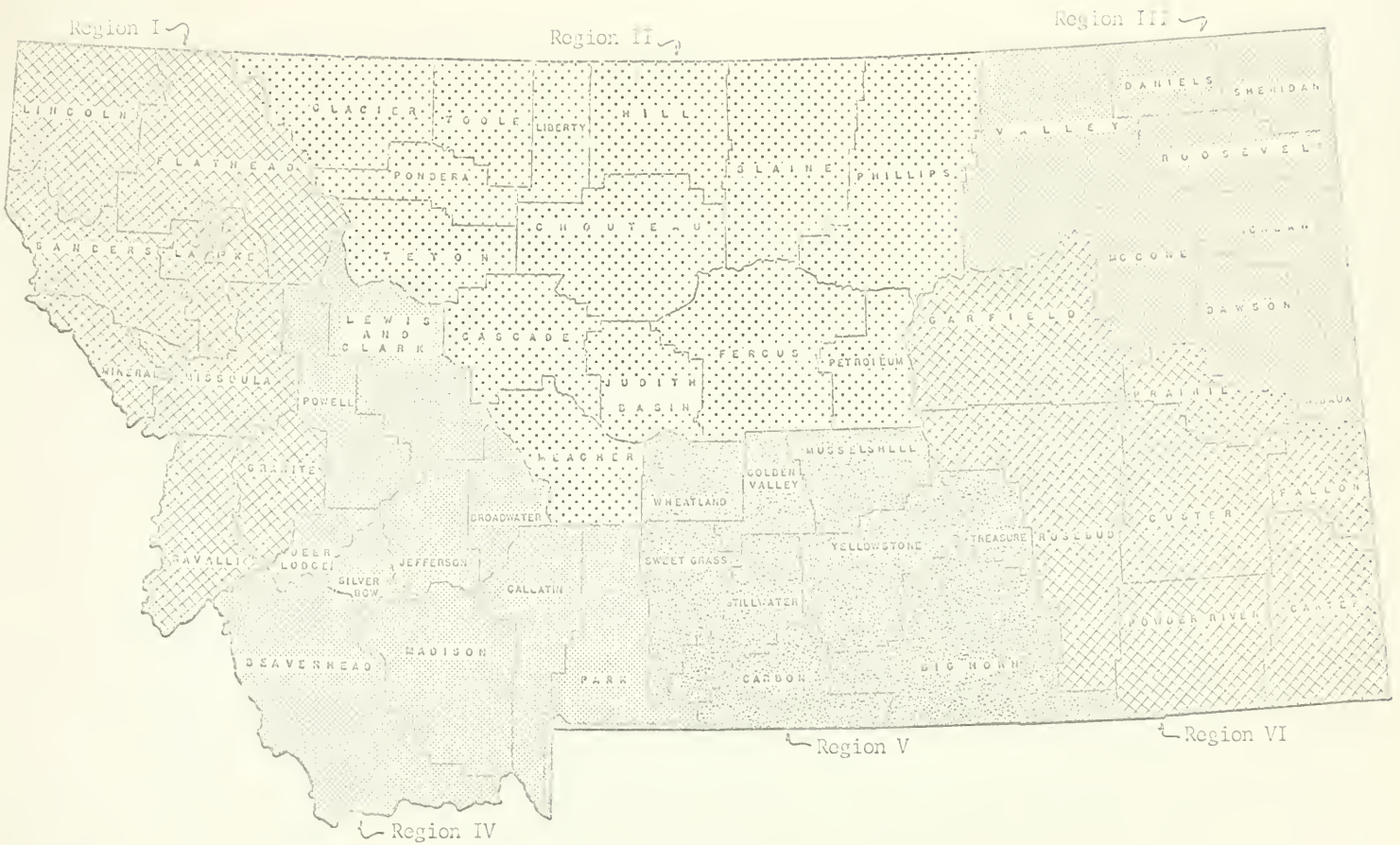
Chapter 6

The Transportation, Communication, and Public Utilities Industries

Chapter 7

Government

Montana Economic Regions



CHAPTER 5

THE TRADE, SERVICE, AND FINANCE INDUSTRIES

The wholesale firms, the retail stores, the dry cleaners and the repair shops, the banks and the other financial institutions which fill the main streets and the shopping centers of Montana's cities and towns usually are small and inconspicuous enterprises. Combined, they are the state's major employer. They provided work (either employment or self-employment) for 40 percent of the total employed labor force in 1960;[1] and an educated guess would put the proportion nearer 45 percent in 1969.[2]

---

1. U.S. Department of Commerce, Bureau of the Census, U.S. Census of Population: 1960, General Social and Economic Characteristics, Montana, Final Report PC(1)-28C (Washington, D.C.: U.S. Government Printing Office, 1961), table 62, p. 28-106.

2. Based on figures from Employment Security Commission of Montana and U.S. Department of Labor, Manpower Administration, Annual Statewide Work Force Report for 1969 (Helena, Montana, February 1970), table C.

Most of the industries classified as trade, service, or finance share a number of common characteristics. In the first place, they are derivative industries, serving the local population and dependent upon what this study calls primary industries (agriculture, mining, manufacturing, railroads, and federal government) for growth.[3] There are exceptions, of course: those retail and service establishments which serve out-of-state travelers and vacationers can be regarded as export industries, and thus they too can provide a basis for economic growth. Special services--medical services, for example--which attract large numbers of persons from outlying areas can also frequently be termed growth industries. In the pages that follow, special attention will be given to the place of these industries in the state economy.

The trade, service, and finance industries are labor-intensive; productivity per worker is low and is not increasing very rapidly. The small size of many firms, particularly in services, tends to limit the economies of scale which could accrue to larger units.

The limited increase in output per worker is one reason why employment in these industries since World War II has grown more rapidly than in most other industries. While agriculture, manufacturing, and mining, for example, have met increasing demand for their output with fewer employees and thus account for a declining share of total employment, the trade, service, and finance industries have required an increasing share of total employment to satisfy the growth in demand for their services. This is true both in Montana and the United States.

---

3. "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 2 (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, in progress), p. 2.14.

Low productivity usually means low wages, and workers in Montana's trade, service, and finance industries are paid some of the lowest wages in the state--especially those in retail trade and services. There also are many low-income people among the self-employed. Of course, Montana has a large number of successful business and professional people, but many others have experienced great difficulties--as evidenced by the high turnover and failure rates among small firms. One way of putting the whole thing into perspective is to note that the payroll workers and proprietors who made up around 45 percent of the total employed labor force in 1969, earned only 35 percent of total earnings from participation in the labor force.[4]

More space will be devoted to the implications of these employment and earnings data in later pages of this chapter. For the moment, it is important to establish that we are dealing with a group of industries which provide a great deal of employment but, for the most part, below average incomes. It is notable also that the industries concerned are among the fastest growing in Montana--their combined wage and salary employment increased 44 percent between 1950 and 1969 (table 5.1).

The Development of Trade Centers

Montana's trade and financial centers today are light years away from the scores of tiny shack towns which sprang up in the early days to serve the miners, and later the ranchers and homesteaders. By 1900, many a mining community had already become a ghost town. During the next 20 years, many more potential ghost towns were created as small trade

---

4. Employment figure based on data from Employment Security Commission of Montana, Annual Statewide Work Force Report for 1969; and earnings data from U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1970).

TABLE 5.1

Employment in Trade, Service, and Finance Industries
Montana, 1950-1969

Year	Combined Employment		Wholesale Trade	Retail Trade	Services[a]	Finance, Insurance, and Real Estate
	Number	Percentage of Total Nonfarm Employment				
1950	50,100	40.3	7,800	28,900	19,300	4,100
1951	61,000	40.4	8,300	29,100	19,200	4,400
1952	63,200	40.7	8,400	30,300	19,700	4,800
1953	64,500	41.2	8,700	30,300	20,400	5,100
1954	65,000	41.3	8,800	30,400	20,600	5,200
1955	66,700	41.1	8,900	31,000	21,200	5,600
1956	69,300	41.1	9,000	32,200	22,200	5,900
1957	68,200	41.4	8,600	31,600	22,100	5,900
1958	67,500	41.6	8,200	30,900	22,200	6,200
1959	69,400	42.0	8,500	31,800	22,600	6,500
1960	70,500	42.3	8,700	31,800	23,100	6,900
1961	70,000	41.9	8,500	31,300	23,400	6,800
1962	71,200	41.5	8,500	31,800	24,100	6,800
1963	72,200	41.4	8,600	32,500	24,300	6,800
1964	73,600	41.8	8,600	33,100	25,000	6,900
1965	76,200	42.0	8,800	34,100	26,300	7,000
1966	78,700	42.2	9,000	35,200	27,300	7,200
1967	80,600	42.4	8,800	35,700	28,900	7,200
1968	83,600	42.9	9,000	36,500	30,500	7,600
1969	86,500	44.0	9,400	37,200	32,100	7,800

Source: [All data except combined data] Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana).

Note: Includes wage and salary workers only.

[a]Includes hotels, motels, and other lodging places; personal services; business services; automobile repair services; miscellaneous repair services; motion pictures and other amusement and recreation services; medical and other health services; legal services; educational services (private); museums; nonprofit membership organizations; private households; and miscellaneous services.

centers sprang up throughout the state to serve a growing, but doomed agricultural population. A general store, a bank, a saloon, a grain elevator, and perhaps a post office, a hotel, and restaurant, plus a church, a school, and a handful of nondescript houses made up the typical town. Drab, uninviting, and generally almost wholly dependent upon the agricultural trade, many of these towns did not survive for long.

Between 1920 and 1940, the number of farms and ranches declined by 15,900; the rural population decreased by almost 50,000 (see Chapter 1, "Agriculture"). Drought and depression hastened the consolidation of small uneconomic farm units, and the increasing availability of power machinery reduced manpower requirements. The automobile came into common use; highways (or at least roads) were constructed, and the mobility of the farmers and ranchers who remained increased dramatically. They could bypass the nearby general store in search of a more complete shopping center. In combination, these developments meant the death of many a Montana hamlet, and many a small town bank or mercantile store. Although we don't know how many communities or businesses actually disappeared during the 1920s and 1930s, we do have a few clues as to the extent of the decline: in 1921, there were 894 post offices in the state--by 1940, there were only 629;[5] in 1920, there were 431 banks--in 1940 there were 112.[6]

---

5. U.S. Post Office Department, Annual Report of the Postmaster General: For the Fiscal Year Ended June 30, 1921 (Washington, D.C.: U.S. Government Printing Office, 1921), pp. 155-156; and U.S. Post Office Department, Annual Report of the Postmaster General: For the Fiscal Year Ended June 30, 1940 (Washington, D.C.: U.S. Government Printing Office, 1941), p. 119.

6. Superintendent of Banks, State of Montana, Selected Data on All Montana Banks, mimeographed (Helena, Montana, 1967), pp. 1-2.

Just as the agricultural readjustment has continued to the present, so has the struggle for survival of many small Montana towns. The Census of Business reports that between 1954 and 1967, the number of retail stores outside the 15 largest trade centers declined by almost 700 (table 5.5). A number of small towns continue to exist only because they are the site of the county courthouse and/or the school. The fierce resistance to suggestions for consolidation of local governments or school districts often can be traced to the desire for survival on the part of the residents of a small town or village.

Other small cities more fortunately located, or less dependent upon agriculture, have grown and emerged as trade and financial centers. In a report published in 1963, the Upper Midwest Economic Study designated 15 major shopping centers in Montana.[7] These centers, called complete shopping centers in the Upper Midwest report, were defined as cities which provided a variety of specialty shops (as well as standard types of retail stores) and had annual sales of $11 million or more in 1958. They were: Anaconda, Billings, Bozeman, Butte, Glasgow, Glendive, Great Falls, Havre, Helena, Kalispell, Lewistown, Livingston, Miles City, Missoula, and Sidney. Four of these cities, Billings, Butte, Great Falls, and Missoula, also were defined as wholesale-retail centers; that is, they met the requirements of a complete shopping center and had at least 50 wholesale establishments performing a variety of wholesale functions, and they reported over $40 million sales in both wholesale and retail trade, or over $80

---

7. John R. Borchert and Russell B. Adams, Trade Centers and Trade Areas of the Upper Midwest, Upper Midwest Economic Study, Urban Report no. 3 (Minneapolis, Minnesota: University of Minnesota, 1963), pp. 7-22.

million in total trade (table 5.2). Billings and Great Falls were called primary wholesale centers; Missoula and Butte, secondary wholesale centers. These four cities clearly were the major trade and financial centers in Montana in 1967. As of July 1, 1968, they contained approximately one-third of the state's population.[8] In 1967, their retail stores accounted for 39 percent of Montana's total retail sales; their wholesalers 50 percent of its wholesale sales, and their service firms 44 percent of selected service receipts. In 1968, 39 percent of all Montana bank deposits were in banks in the 4 counties--Yellowstone, Silver Bow, Cascade, and Missoula--where these cities are located (table 5.2).

If the sales and deposits of Montana's 11 other major trade centers are added to these figures, we find that the 15 centers accounted for approximately two-thirds of state retail and wholesale sales and service receipts and almost three-fourths of total bank deposits. Clearly, the large number of smaller towns scattered about the state are dividing a very small pie.

Retail Trade and Services

Customs and habits differ from one part of the country to another, thereby affecting the spending patterns of consumers. By dividing total sales by total population, it is possible to compare spending between areas on a per person basis. Thus, when retail sales are converted in this way, we find that in Montana, where farming and ranching continue to be important activities, per capita sales of building material, hardware, and farm

---

8. Based on county population estimates in "Population Estimates for Montana Counties as of July 1, 1968" (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, June 1969).

TABLE 5.2

Concentration of Trade, Service, and Financial Activity
in Montana Trade Centers

City	Retail Sales, 1967		Wholesale Sales, 1967		Receipts of Selected Service Industries, 1967		Bank Deposits, 1968[a]	
	Total ($000)	Percentage of State Total	Total ($000)	Percentage of State Total	Total ($000)	Percentage of State Total	Total ($000)	Percentage of State Total
Billings	139,484	12.3	200,293	18.5	18,017	16.2	186,932	14.8
Butte[b]	67,031	5.9	70,235	6.5	6,154	5.5	77,276	6.1
Great Falls[b]	141,518	12.5	203,342	18.8	13,860	12.5	156,974	12.4
Missoula	100,058	8.8	62,861	5.8	10,715	9.6	71,573	5.7
Four cities combined	448,091	39.4	536,731	49.6	48,746	43.8	492,755	39.1
Eleven other trade centers[c]	294,614	25.9	158,537[d]	14.7	25,901[e]	23.3	417,813	33.1
Rest of state	393,938	34.7	386,226	35.7	36,673	32.9	350,862	27.8
Total	1,136,643	100.0	1,081,494	100.0	111,320	100.0	1,261,430	100.0

Sources: [Retail sales (dollars)] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana (Washington, D.C.: U.S. Government Printing Office, 1969), table 3, pp. 28-8 to 28 11.

[Selected service receipts (dollars)] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana (Washington, D.C.: U.S. Government Printing Office, 1969), table 3, pp. 28 8 and 28-9.

[Wholesale sales (dollars)] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Wholesale Trade, Area Statistics, Montana (Washington, D.C.: U.S. Government Printing Office, 1969), table 4, pp. 28-8 and 28-9.

[Bank deposits (dollars)] Federal Deposit Insurance Corporation, National Summary of Accounts and Deposits in All Commercial Banks, June 29, 1968 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3-2 and 5, pp. 32 and 244-24*.

[a]Total deposits of all commercial banks, including interbank and government deposits. Data, in all cases, are for the counties in which the city is located because comparable data for the cities are not available: Billings (Yellowstone), Butte (Silver Bow), Great Falls (Cascade), Missoula (Missoula), Anaconda (Deer Lodge), Bozeman (Gallatin), Glasgow (Valley), Glendive (Dawson), Havre (Hill), Helena (Lewis and Clark), Kalispell (Flathead), Lewistown (Fergus), Livingston (Park), Miles City (Custer), and Sidney (Richland).

[b]Anaconda Company employees were on strike beginning July 15, 1967.

[c]Anaconda, Bozeman, Glasgow, Glendive, Havre, Helena, Kalispell, Lewistown, Livingston, Miles City, and Sidney.

[d]Data for Custer County and Richland County are included because comparable data for Miles City and Sidney are not available.

[e]Data for Deer Lodge County and Custer County are included because comparable data for Anaconda and Miles City are not available.

implement stores are twice as large as those in the aggregate United States (table 5.3). Montanans also spend more on a per capita basis for automobiles and gasoline, which is not at all surprising in view of the distances from one place to another in the state. Per capita sales of eating and drinking places also are considerably higher in Montana.

Montana residents appear to spend considerably less per capita on many of the services covered by the census reports. Much of the difference can be explained by the low expenditure for business services. If personal services, motion pictures, and other amusements are relatively inaccessible to Montanans, obviously they will spend less on them. The larger per capita receipts of hotels and motels illustrated in table 5.3 raises the question of who is spending the money--Montanans or their out-of-state visitors?

Patterns of expenditures are different in Montana and so are patterns of growth. No one who has read the preceding chapters of this report will be surprised to learn that total retail sales and expenditures for those services covered by the Census of Business have grown more slowly in Montana than in the United States since 1948 (figures 5.1 and 5.2). Changes in retail sales and in service receipts reflect changes in population and income, and both population and income have grown more slowly here. Changing tastes also affect sales of these industries. Since 1948, Americans--and Montanans--have shown a tendency to increase their expenditures for services more rapidly than for retail goods. As incomes rise, more people travel, more women go to the hairdresser, and more shirts go to the laundry. Businesses, too, have increased their spending for services

TABLE 5.3

Per Capita Retail Sales and Per Capita Receipts of Selected Service Establishments, Montana and the United States, 1963

Kind of Business	Montana	United States
All retail establishments	$1,376	$1,294
Lumber, building materials, hardware, and farm equipment dealers	154	77
General merchandise stores	125	159
Food stores	300	303
Automobile dealers	282	241
Gasoline service stations	120	94
Apparel and accessory stores	69	74
Furniture, home furnishings, and equipment stores	49	58
Eating and drinking places	127	98
Drug stores and proprietary stores	45	45
Miscellaneous retail stores	90	113
Nonstore retailers	15	33
Selected service establishments	143	236
Hotels, motels, tourist camps, and camps	40	27
Personal services	34	49
Miscellaneous business services	17	81
Auto repair, auto services, and garages	24	29
Miscellaneous repair services	11	16
Motion pictures	7	14
Other amusement and recreation services	11	21

Sources: [Retail establishments, Montana] Computed from data obtained from U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana (Washington, D.C.: U.S. Government Printing Office, 1969), table 1, p. 28-5.

[Retail establishments, United States] Computed from data obtained from U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Retail Trade, Area Statistics, U.S. Summary and Alabama to Illinois, vol. 2, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-6.

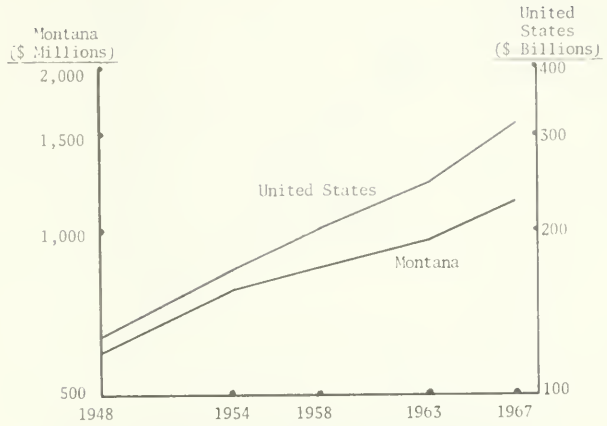
[Selected service establishments, Montana] Computed from data obtained from U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 28-5.

[Selected service establishments, United States] Computed from data obtained from U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Selected Services, Area Statistics, U.S. Summary and Alabama to Illinois, vol. 7, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-6.

Note: Totals may not add due to rounding.

FIGURE 5.1

Retail Sales, Montana and the United States
1948-1967



Sources: [Montana, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1954, Retail Trade, Area Statistics, Montana, Area Bulletin R-1-26 (Washington, D.C.: U.S. Government Printing Office, 1956), table 101A, p. 26-5.

[Montana, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Retail Trade, Area Statistics, Montana, BC58-RA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 100, p. 26-5.

[Montana, 1958] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Retail Trade, Area Statistics, Montana, BC63-RA28 (Washington, D.C.: U.S. Government Printing Office, 1964), table 1, p. 28-5.

[Montana, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67-RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 1, pp. 28-4 and 28-5.

[United States, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1954, Retail Trade, Area Statistics, United States Summary and Alabama-Mississippi, vol. 2, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1956), table 1B, p. 1-7.

[United States, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Retail Trade, Area Statistics, United States Summary and Alabama-Mississippi, vol. 2, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1961), table 1, p. 1-5.

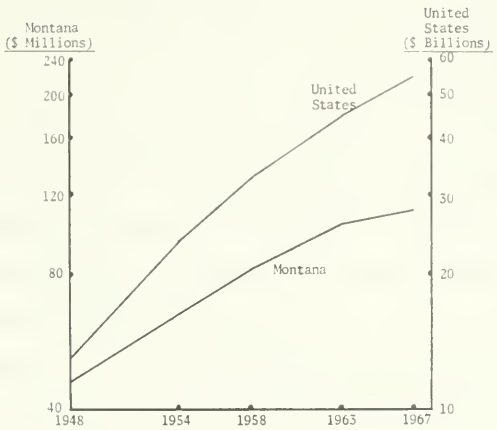
[United States, 1958 and 1963] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Retail Trade, Area Statistics, U.S. Summary and Alabama to Illinois, vol. 2, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-6.

[United States, 1967] U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 1160, p. 753.

Note: United States data for 1948, 1954, and 1958 exclude Alaska and Hawaii; United States figure for 1967 is a preliminary estimate.

FIGURE 5.2

Receipts of Selected Service Establishments
Montana and the United States, 1948-1967



Sources: [Montana, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1948, Service Trades, Montana, Bulletin I-S-25 (Washington, D.C.: U.S. Government Printing Office, 1950), table 101A, p. 25.02.

[Montana, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Selected Services, Area Statistics, Montana, BC58-SA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 100, p. 26-5.

[Montana, 1958] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Selected Services, Area Statistics, Montana, BC63-SA28 (Washington, D.C.: U.S. Government Printing Office, 1964), table 1, p. 28-5.

[Montana, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana, BC67- SA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 1, pp. 28-4 and 28-5.

[United States, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1954, Selected Service Trades, Area Statistics, United States Summary and Alabama-Mississippi, vol. 6, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1956), table 1B, p. 1-6.

[United States, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Selected Services, Area Statistics, United States Summary and Alabama-Mississippi, vol. 6, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1961), table 1, p. 1-5.

[United States, 1958 and 1963] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Selected Services, Area Statistics, U.S. Summary and Alabama to Illinois, vol. 7, pt. 1 (Washington, D.C.: U.S. Governemnt Printing Office, 1966), table 1, p. 1-6.

[United States, 1967] U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 1175, p. 767.

Notes: United States data for 1948, 1954, and 1958 exclude Alaska and Hawaii; United States figure for 1967 is a preliminary estimate.

Selected service establishments include hotels and motels, personal services, miscellaneous business services, automobile and miscellaneous repair services, motion pictures and amusement and recreation services. Excluded are medical, legal, and education services; nonprofit membership organizations; private households; and miscellaneous services; these establishments account for approximately 35 percent of total service employment.

such as advertising, consulting, and credit and collection assistance. The rapidly rising cost of medical services has caused a larger proportion of expenditures to go for medical care, but these expenditures are not included in the census data and thus are not reflected in the tables and charts. Some economists speculate that the dramatic rise in cost--an increase which has exceeded the rise in the general price level--has served as a brake on the growing demand for services.[9] In Montana, this increase in expenditures for services included in the census reports slowed considerably between 1963 and 1967 (figure 5.2).

Employment figures confirm that since 1950 the trade and service industries have been growing faster in the United States than in Montana, and that services have been expanding faster than retail trade in both areas. Between 1950 and 1968, the number of wage and salary workers in retail trade increased 26 percent in Montana (table 5.1), but 52 percent in the United States;[10] service employment increased 58 percent in Montana (table 5.1), but 95 percent in the United States.[11]

Montana's trade and service industries provide many jobs; they also attract many of the more adventuresome, entrepreneurial types who want a business of their own. In 1967, there were over 10,000 proprietors of small, unincorporated retail trade and service establishments in Montana: 6,877 in retail business and 3,404 in service industries

---

9. Sheldon W. Stahl, "The Service Sector--Where the Action Is," Monthly Review, Federal Reserve Bank of Kansas City (March 1970), pp. 3-11.

10. U.S. Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics 1969, Bulletin 1630 (Washington, D.C.: U.S. Government Printing Office, 1969), table 36, p. 78.

11. Ibid.

covered by the census.[12] It is relatively easy to get into business at the retail or service level; such activities frequently require only small amounts of capital. They also are notable for their high rates of failure.

But the signs of the times are becoming more visible; the number of self-employed retailers and the number of retail firms in the state is declining (see table 5.4). In 1967, there were 769 fewer retail establishments than in 1954. There were 219 fewer lumber, building materials, hardware, and farm equipment dealers; 437 fewer food stores; 150 fewer eating and drinking places. A few categories of retailers--notably automobile dealers, gas stations, and nonstore retailers--increased their numbers over the 13-year period. Those readers who are convinced that every corner on every intersection soon will contain a service station may be interested to know, however, that in the more recent years--between 1963 and 1967--the number of stations in the state began to decline (table 5.4).

Many of the retail businesses which have disappeared since 1954 were located in the small towns and rural areas. Table 5.5 documents this statement, but it also indicates that the experience of the state's major shopping centers has been very uneven. Eight of the 15 cities had fewer retail stores in 1967 than in 1954. The most shocking decline (41 percent) occurred in Butte; Anaconda, also affected by reduced employment in the metals industry, had a substantial loss too.

---

12. U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67-RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 2, p. 28-6; and U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana, BC67-SA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 2, p. 28-6.

TABLE 5.4

Retail Stores in Montana, 1954, 1963, and 1967

Kind of Business	Number of Establishments 1954	1963	1967	Percent Change 1954-1967	1963-1967
Retail trade, total	8,223	7,797	7,454	-9.4	4.4
Lumber, building materials, hardware, and farm equipment dealers	849	684	630	-25.8	7.9
General merchandise stores[a]	365	317	306	-16.2	3.5
Food stores[b]	1,294	993	857	-33.8	13.7
Automotive dealers[c]	490	485	511	4.3	5.4
Gasoline service stations	934	1,075	1,009	8.0	-6.1
Apparel and accessory stores[d]	439	450	361	-17.8	19.8
Furniture, home furnishings, and equipment stores[e]	346	336	324	6.4	3.6
Eating and drinking places	2,072	2,025	1,922	-7.2	-5.1
Eating places	924	1,063	1,054	14.1	-0.8
Drinking places	1,144	962	868	-24.1	9.8
Drug stores and proprietary stores	240	260	257	7.1	1.2
Miscellaneous retail stores[f]	961	901	984	2.4	9.2
Nonstore retailers[g]	233	271	293	25.8	8.1

Sources: [Number of establishments, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Retail Trade, Area Statistics, Montana, BC58-RA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 100, p. 26-5.

[Number of establishments, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67-RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 1, pp. 28-4 and 28-5.

Note: A comparable breakdown for 1948 is not available.

[a]Includes department stores, variety stores, and miscellaneous general merchandise stores.

[b]Includes grocery stores; meat and fish (sea food) markets; fruit stores and vegetable markets; candy and confectionery stores, retail bakeries, and other food stores.

[c]Includes motor vehicle dealers; tire, battery, and accessory dealers; and [illegible] dealers.

[d]Includes women's ready-to-wear stores, women's accessory and specialty stores, furriers and fur shops, and other apparel and accessory stores.

[e]Includes furniture stores, home furnishings stores; household appliance stores, and radio, TV, and music stores.

[f]Includes liquor stores, antique stores and secondhand stores, sporting goods stores and bicycle shops, jewelry stores, fuel and ice dealers, florists, cigar stores and stands, and miscellaneous retail stores not elsewhere classified.

[g]Includes mail order houses, merchandising machine operators, and direct selling establishments.

TABLE 5.5

Changes in Number of Retail Trade and Service Establishments in Montana Trade Centers
1954, 1963, and 1967

	Retail Trade					Selected Services				
	Number of Establishments			Percent Change		Number of Establishments			Percent Change	
	1954	1963	1967	1954-1967	1963-1967	1954	1963	1967	1954-1967	1963-1967
The state	8,223	7,797	7,458	-9.4	-4.4	3,564	4,365	4,204	18.0	-3.7
Billings	498	608	609	22.3	0.2	300	420	422	40.7	0.5
Butte	606	434	357	41.1	-17.7	306	243	217	29.1	10.7
Great Falls	513	531	548	6.8	3.2	260	362	354	36.2	-2.2
Missoula	336	370	409	21.7	10.5	186	259	282	51.6	8.9
Four cities combined	1,953	1,943	1,923	1.5	-1.0	1,052	1,284	1,275	21.2	-0.7
Anaconda	167	131	118	-29.3	-9.9	53	56	62	17.0	10.7
Bozeman	181	183	218	20.4	19.1	99	106	98	-1.0	-7.5
Glasgow	87	101	108	24.1	6.9	37	51	53	43.2	3.9
Glendive	88	85	109	23.9	28.2	34	43	63	85.3	46.5
Havre	143	137	138	-3.5	0.7	71	65	70	-1.4	7.7
Helena	267	263	292	9.4	11.0	153	164	169	10.5	3.0
Kalispell	230	219	205	-10.9	-6.4	114	123	136	19.3	10.6
Lewistown	143	137	132	-7.7	-3.6	57	75	53	7.0	-29.3
Livingston	158	131	128	-19.0	2.3	69	60	70	1.4	16.7
Miles City	140	138	122	-12.9	11.6	89	89	99	11.2	11.2
Sidney	86	92	75	-12.8	-18.5	33	41	36	9.1	12.2
Eleven cities combined	1,690	1,617	1,645	-2.7	1.7	809	873	909	12.4	4.1
Rest of state	4,580	4,237	3,886	-15.2	-8.3	1,703	2,208	2,020	18.6	-8.5

Sources: [Retail trade (number of establishments), 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Retail Trade, Area Statistics, Montana, BC58-RA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 102A, pp. 26-18.

[Retail trade (number of establishments), 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67 RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3 and 8, pp. 28-8, 28-10, and 28-18.

[Selected services (number of establishments), 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Selected Services, Area Statistics, Montana, BC58-SA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 102, p. 26-15.

[Selected services (number of establishments), 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana, BC67-SA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3 and 8, pp. 28-8, 28-9, and 28-16.

On the other hand, among the service industries covered, the Census of Business lists more Montana firms in 1967 than in 1954 (table 5.5). The number was slightly less than in 1963, indicating perhaps that the expansion in number of firms in these industries may have leveled off. With the notable exception of Butte, the increase in service establishments appears to have been fairly general throughout the state.

It seems necessary to add that it is possible to succeed in a new business in Montana; people do it every year. Opportunities still exist for the entrepreneur who chooses his community and his kind of business well, and who realistically assesses his own qualifications.

With a few exceptions, most of the activity in the trade and service industries in Montana today is taking place in the major trade centers (table 5.6). Indeed, over two-thirds (68 percent) of the increase in retail sales in Montana between 1963 and 1967 occurred in 7 of the 15 cities: Billings, Bozeman, Great Falls, Havre, Helena, Kalispell, and Missoula. Rates of increase in these cities ranged from 19 percent in Great Falls to 42 percent in Missoula. No other cities among the major shopping centers approached these rates; three--Glasgow, Miles City, and Sidney--had actual declines in dollar sales. Others--Butte, Lewistown, and Livingston--appear to have had little increase in the physical volume of goods sold, if the 7 percent increase in the commodity component of the United States consumer price index between 1963 and 1967 is used as a rough deflator.[13] The decline in sales in Glasgow reflected the drop in military population in anticipation of the closing of Glasgow Air Force

---

13. U.S. Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics 1968, Bulletin 1600 (Washington, D.C.: U.S. Government Printing Office, 1968), table 104, p. 238.

TABLE 5.6

Changes in Retail Trade and Service Activity
in Montana Trade Centers, 1963-1967

	Retail Sales			Selected Services Receipts[a]		
	1963 ($000)	1967 ($000)	Percent Change	1963 ($000)	1967 ($000)	Percent Change
The state	965,734	1,136,643	17.7	100,358	111,320	10.9
Billings	109,617	139,484	27.2	14,613	18,017	23.3
Butte[b]	61,244	67,031	9.4	5,875	6,154	4.7
Great Falls[b]	119,238	141,518	18.7	12,991	13,860	6.7
Missoula	70,635	100,058	41.7	8,484	10,715	26.3
Four cities combined	360,734	448,091	24.2	41,963	48,746	16.2
Anaconda[b]	15,942	17,989	12.8	1,241[c]	1,034[c]	-16.7
Bozeman	33,630	41,363	23.0	2,821	3,368	19.4
Glasgow	19,584	18,876	-3.6	1,425	1,091	-23.4
Glendive	14,831	16,740	12.9	910	1,480	62.6
Havre	21,721	28,731	32.3	2,225	2,103	-5.5
Helena	41,322	52,672	27.5	4,123	5,819	41.1
Kalispell	34,653	43,800	26.4	3,314	4,159	25.5
Lewistown	20,253	21,912	8.2	1,691	1,258	-25.6
Livingston	14,752	15,940	8.1	1,562	1,830	17.2
Miles City	21,380	20,567	-3.8	3,047[d]	2,789[d]	-8.5
Sidney	16,129	16,024	-0.7	1,236	970	-21.5
Eleven cities combined	254,197	294,614	15.9	23,595	25,901	9.8
Rest of state	350,803	393,938	12.3	34,800	36,673	5.4

Sources: [Retail sales] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67-RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3 and 8, pp. 28-8, 28-9, and 28-18.

[Selected services receipts] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Selected Services, Area Statistics, Montana, BC67-SA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3 and 8, pp. 28-8, 28-9, and 28-16.

[a]Excluded are medical, legal, and educational services; nonprofit membership organizations; private households; and miscellaneous services.

[b]Anaconda Company employees were on strike beginning July 15, 1967.

[c]Deer Lodge County data; separate data for Anaconda withheld to avoid disclosure.

[d]Custer County data; separate data for Miles City withheld to avoid disclosure.

Base as of June 30, 1968. Sales in Butte, and to a lesser extent Anaconda and Great Falls, were affected by the strike against The Anaconda Company which began July 15, 1967, and continued the rest of the year.

Four cities too small to be classified as major trade centers had substantial increases in retail sales between 1963 and 1967. They were Libby, where the big dam was under construction, 50 percent; Whitefish, in Flathead County where lumber, aluminum, and recreation all have been expanding, 43 percent; Laurel, near Billings and home of a major oil refinery, 41 percent; and Conrad, affected by missile installations, 35 percent.[14]

On the other hand, a comparison of county sales data for 1963 and 1967 from the 1967 Census of Business report on retail trade shows that actual dollar sales declined in 20 of the 56 Montana counties over the 4-year period. With three exceptions--Richland (Sidney), Valley (Glasgow), and Roosevelt (Wolf Point)--the counties losing sales were small and contained no town of any size. Nine other counties, including Silver Bow (Butte), had increases of less than 8 percent, indicating that the physical volume of goods sold probably declined.[15]

Table 5.7 shows what has happened to retail sales in the various economic regions of the state since 1948, and since 1963. (The regions are shown in the map at the beginning of this volume.) Region I, with both Missoula and Kalispell within its borders, fared very well. Its

---

14. U.S. Department of Commerce, Census of Business: 1967, Retail Trade, Montana, tables 3 and 8, pp. 28-8, 28-9, and 28-18.

15. Ibid.

TABLE 5.7

Growth of Retail Trade in Montana, by Economic Regions
1948-1967

Region	Retail Sales ($000)			Percent Change	
	1948	1963	1967	1948-1967	1963-1967
The state	599,285	965,734	1,136,643	89.7	17.7
Region I[a]	102,992	178,701	239,677	132.7	34.1
Region II[b]	153,294	250,977	291,568	90.2	16.2
Region III[c]	60,227	96,761	95,833	59.1	-1.0
Region IV[d]	150,414	219,310	251,491	67.2	14.7
Region V[e]	100,096	176,125	211,664	111.5	20.2
Region VI[f]	32,262	43,860	46,410	43.9	5.8

Sources: [Sales, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1954, Retail Trade, Area Statistics, Montana, Bulletin R-1-26 (Washington, D.C.: U.S. Government Printing Office, 1956), table 102A, p. 26-10.

[Sales, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Retail Trade, Area Statistics, Montana, BC67-RA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 3 and 8, pp. 28-8, 28-10, and 28-18.

[a]Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders Counties. Kalispell (Flathead) and Missoula (Missoula) are the major trade centers in this region.

[b]Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, Meagher, Petroleum, Phillips, Pondera, Teton, and Toole Counties. Great Falls (Cascade), Havre (Hill), and Lewistown (Fergus) are the major trade centers in this region.

[c]Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux Counties. Glasgow (Valley), Glendive (Dawson), and Sidney (Richland) are the major trade centers in this region.

[d]Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, Madison, Park, Powell, and Silver Bow Counties. Anaconda (Deer Lodge), Bozeman (Gallatin), Butte (Silver Bow), Helena (Lewis and Clark), and Livingston (Park) are the major trade centers in this region.

[e]Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, Treasure, Wheatland, and Yellowstone Counties. Billings (Yellowstone) is the only major trade center in this region.

[f]Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties. Miles City (Custer) is the only major trade center in this region.

growth in sales between 1963 and 1967--34 percent--exceeded the national increase of 28 percent.[16] Regions III and VI in far eastern Montana had the most dismal records, especially between 1963 and 1967.

Table 5.8 shows the importance of wholesale and retail trade (the data are not available separately) and of the service industries as a source of income in the various regions. The figures represent earnings or participation income--that is wages and salaries, other labor income, and proprietors' income. They emphasize the importance of the trade and service industries to Region V and to Billings, the major center in the region.

The general concentration of trade and service industries has been noted above. The degree of concentration varies with the kind of business. It takes a minimum number of people to support specialized retail outlets and services, as well as larger scale businesses. Thus it is not surprising that in 1967 fifty-two percent of all apparel and accessory store sales were made in Cascade, Missoula, Silver Bow, and Yellowstone Counties (read Great Falls, Missoula, Butte, and Billings) and that 58 percent of furniture and home equipment store sales and 57 percent of general merchandise and department store sales also occurred in those counties.[17] Business services covered by the census--including advertising agencies, credit

---

16. U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Retail Trade, Area Statistics, U.S. Summary and Alabama to Illinois, vol. 2, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-6; and U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 1160, p. 753.

17. U.S. Department of Commerce, Census of Business: 1967, Retail Trade, Montana, table 3, pp. 28-8 to 28-11.

TABLE 5.8

Earnings From Trade and Services, by Economic Regions
Montana, 1966

Region	Wholesale and Retail Trade		Services	
	Earnings ($000)	Percentage of Total Earnings	Earnings ($000)	Percentage of Total Earnings
The state	245,000	16.5	173,000	11.6
Region I[a]	46,562	17.0	32,381	11.8
Region II[b]	62,946	14.8	44,087	10.4
Region III[c]	17,817	12.2	11,332	7.8
Region IV[d]	52,027	15.8	43,023	13.1
Region V[e]	55,570	22.9	34,653	14.3
Region VI[f]	9,940	14.2	7,937	11.3

Sources: [Region earnings] U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

[State earnings] U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, vol. 47, no. 8 (August 1967), table 70, p. 37.

Notes: Earnings figures represent income from current participation in the labor force: wages and salaries, other labor income, and proprietors' income.

Totals may not add due to rounding.

Since 1966, the state total for trade has been revised to $246 million, or 16.3 percent of total earnings; and the state total for services has been revised to $182 million, or 12.1 percent of total earnings.

[a]Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders Counties.

[b]Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Judith Basin, Liberty, Meagher, Hill, Petroleum, Phillips, Pondera, Teton, and Toole Counties.

[c]Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux Counties.

[d]Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, Madison, Park, Powell, and Silver Bow Counties.

[e]Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, Treasure, Wheatland, and Yellowstone Counties.

[f]Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties.

agencies, and management consulting services--are concentrated in the state's two largest cities--Billings and Great Falls. Yellowstone County was the site of business service firms which took 36 percent of total state receipts, Cascade County firms reported 22 percent.[18] Other services not covered by the census also are concentrated in the larger cities. Medical and legal services are obvious examples.

The Tourist Industry

Considerable interest in travel and tourism exists among the Montana businessmen who operate retail businesses and service firms. To them, and to many Montanans, the tourist industry (some prefer to call it recreation or travel) seems to offer the state's greatest hope for economic growth. It has added virtues in that it is a "clean" industry--that is, it generally is less destructive of the environment than most of the other industries with a growth potential in Montana--and it is an export industry, in the sense that it brings in out-of-state dollars. This is important because so many of the goods Montanans consume must be purchased out of state. Thus the tourist industry appeals to all but the most unyielding of environmentalists, as well as to those Montanans who prefer temporary visitors to permanent migrants.

The tourist industry is not really an industry; that is, it does not fit into any of the standard industrial classifications. Presumably it includes any retail store or service establishment which caters to tourists, or recreationists, or travelers. To pursue this line of reasoning means that these terms also must be defined, and Pandora's box

---

18. U.S. Department of Commerce, Census of Business: 1967, Selected Services, Montana, table 4, pp. 28-10 and 28-11.

is opened. Therefore, after noting that Montanans do indeed travel around their own state a great deal; that the dollars spent by Missoulians who move to Flathead Lake for the summer are just as beneficial to Polson businesses as California dollars; that the availability of superb outdoor recreation resources is a nonmonetary plus for Montana residents; and that business travel involves significant expenditures in the state, this report will confine itself to a discussion of out-of-state travelers who come to Montana for nonbusiness reasons. This seems to be the group most tourist-promotion enthusiasts wish to reach; it represents, together with business travel by out-of-staters, the export market.

Definitions aside, it is difficult to discuss the tourist industry because so little reliable information is available about it. How important is the industry to Montana? The Montana Travel Study, done in 1963-1964, came up with two estimates of total expenditures by out-of-state travelers. One estimate, based on personal interviews at lodging places, indicated that these expenditures ranged between $70.1 and $74.3 million for the 12-month period from August 1, 1963, to July 31, 1964; the other estimate, based on roadside interviews, placed the figure at $83.7 million.[19] The study found that 14 percent of total out-of-state expenditures were made by business travelers.[20] This means that during the 12 months covered by the travel study, expenditures by out-of-state, nonbusiness travelers probably accounted for from $60 to $72 million in expenditures.

---

19. Robert F. Wallace and Daniel R. Blake, Montana Travel Study, prepared for the Montana State Highway Commission in cooperation with the U.S. Department of Commerce, Bureau of Public Roads (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, 1966), pp. 106 and 111.

20. Ibid., table 58, p. 113.

These are not large sums when one considers that the total sales and receipts of retail stores and service establishments which might expect to share in this business amounted to $695,613,000 in 1963.[21] Most of the expenditures, however, were made in lodging places, restaurants, and service stations; according to the travel study, 84 percent of total expenditures went for food and lodging and automobile operation.[22] This means that nonbusiness out-of-state travelers spent from $50.4 to $60.5 million in business establishments (hotels and motels, eating and drinking places, service stations, and auto repair and rental shops and garages) which had combined sales of $218,189,000 in 1963.[23] Obviously, tourist travel is important to these businesses.

Per capita sales and receipts of hotels and motels, eating and drinking places, and gas stations in 1963 all were significantly higher in Montana than in the United States (table 5.3). This seems to indicate that relatively more travel takes place in the state. There is no way of knowing, however, whether this is due to a proportionately greater amount of travel by out-of-state visitors or is occassioned by Montanans moving about within the state.

There are few clues as to how rapidly travel may be increasing. Since 1950, employment in travel-oriented businesses--eating and drinking

---

21. General merchandise stores, food stores, service stations, apparel and accessory stores, eating and drinking places, drug stores, miscellaneous retail stores, hotels and motels, personal services, auto and auto repair services, motion pictures, and other amusements. From U.S. Department of Commerce, Census of Business: 1967, Retail Trade, Montana, table 1, p. 28-5; and U.S. Department of Commerce, Census of Business: 1967, Selected Services, Montana, table 1, p. 28-5.

22. Wallace and Blake, Montana Travel Study, table 49, p. 94.

23. U.S. Department of Commerce, Census of Business: 1967, Retail Trade, Montana, table 1, p. 28-5; and U.S. Department of Commerce, Census of Business: 1967, Selected Services, Montana, table 1, p. 28-5.

places, automobile agencies and gas stations, and hotels and motels--has increased more rapidly than the total number of nonagricultural wage and salary workers in the state, but at the same rate as total employment in the trade and service industries. What changes, if any, may be occurring among the mix of travelers--Montana residents versus out-of-state persons, business versus nonbusiness travelers--remain a mystery. The only positive statement which can be made is that overall travel appears to be increasing, but no more rapidly than other activities which affect the trade and service industries.

In view of the dearth of information about Montana's tourist industry, it is well to keep in mind that when enthusiastic supporters of travel promotion label tourism "the state's third most important industry" they do so without documentation or proof.

It is not surprising that people would look to travel and tourism as a vehicle for development in Montana. The state's natural beauty, the presence of Glacier and Yellowstone National Parks, the mountains, the lakes, and the fishing streams offer many opportunities for outdoor recreation. Yet forecasts as to the extent of the growth of travel and recreation frequently seem unrealistic. In the foreseeable future, most Americans will continue to work five days a week and most annual vacations will last only two or three weeks. This will be true particularly for those in professional or managerial positions--members of those affluent groups whom the state would like most to attract.

There is also the problem of competition; the hopeful dialogue about the rich possibilities of tourist travel is being repeated in all of the western states. These states also have national parks, lakes, and ski

areas. Several of them are closer to major population centers than Montana; frequently their public transportation facilities, particularly for air travel, are superior to ours; often they offer a greater variety of attractions, with metropolitan centers as well as well-developed outdoor recreational facilities. And all of the western states are in competition with other parts of this country and with the rest of the world.

It may be, then, that the growth in recreation and travel in Montana will come only gradually, more gradually than some Montanans expect. Perhaps this is good; it gives us more time to concern ourselves with preserving the quality of our physical environment and our travel facilities. An orderly development of resources and facilities can help us avoid the tacky buildings, the snake pits, and the cluttered, unplanned, appalling environments that have evolved in many older vacation areas.

One recent proposal--the Big Sky of Montana recreation development in Gallatin County--seems to offer many desirable features. Apparently well financed and well planned, it would attempt to operate year-round and to attract visitors from all over the United States. It involves a ski area as well as summer recreation facilities. In addition to public lodging facilities, a large number of homesites will be available. It has been described in terms of an initial $19.5 million investment.[24]

Some people believe that the development of quality recreation areas such as Big Sky may help to attract desirable industries. They point to Aspen, Colorado, as an example. This is a possibility, of course, but it is well to remember that Colorado has two significant advantages--

---

24. J. D. Holmes, Helena (Montana) Independent Record, February 16, 1970, pp. 1-2.

its geographic location and the presence of a large metropolitan population center in Denver.

The encouragement of recreation resource development by both private and public agencies and the promotion of tourism in Montana are generally accepted as established policies of state government. The legislature appropriates money for these purposes--$700,000 for the 1969-71 biennium.[25] But is this a realistic approach to economic development in Montana? Montanans and their state government are concerned that since the early 1950s per capita income in the state has grown more slowly than in the nation. Among the major reasons why this is so is the increased employment in low-wage industries. Over the years, Montana has gained jobs in the trade, service, and finance industries, all of which, as has been pointed out earlier, typically pay low wages. Table 5.9 documents this statement. The 9,279 employees of eating and drinking places in 1968 earned at an average annual rate of $2,557; the 3,768 hotel and motel workers, $2,600; the 7,739 persons in automobile dealerships and gas stations, $5,000. People who did not work all year round (and there were many of them) earned proportionately less. The fact that the state has a larger proportion of its employment in these low-paying jobs contributes to its lower average earnings and lower per capita incomes.

Do most people realize that when they speak of an expanding tourist industry, they are in fact referring to the addition of more relatively unskilled, low-paying jobs--jobs as waitresses, maids, service station attendants, and clerks--in a state where average earnings already

---

25. State of Montana, Legislature, Laws and Resolutions of the State of Montana, 41st Legislative Assembly, 1969, vol. 2 (Helena, Montana: State Publishing Company), p. 1289.

TABLE 5.9

Employment and Earnings in Retail Trade and the Service Industries Covered by Unemployment Insurance, Montana, 1968

Industry	Average Monthly Employment	Average Earnings (Annual Rate)
Retail trade	36,445	$4,070
Building materials, hardware and farm equipment	2,935	5,264
General merchandise	5,048	3,978
Food stores	5,417	4,519
Automobile dealers and gasoline service stations	7,739	5,000
Apparel and accessories	1,582	3,711
Furniture, home furnishings and equipment	1,267	5,214
Eating and drinking places	9,279	2,557
Miscellaneous retail stores	3,178	4,224
Service industries[a]	17,107	3,645
Hotels and other lodging places	3,768	2,600
Personal services	2,386	3,399
Laundries	1,185	3,156
Beauty shops	619	3,136
All other personal services[b]	582	4,173
Miscellaneous business services[c]	1,685	4,240
Automobile repair, automobile services, and garages	833	4,978
Miscellaneous repair services[d]	469	5,036
Motion pictures	685	1,681
Amusement and recreation services[e]	735	3,041
Medical and other health services	3,259	3,604
Legal services	580	4,156
Nonprofit membership organizations	1,487	3,776
Miscellaneous services[f]	1,220	6,267

Source: Employment Security Commission of Montana, unpublished data (Helena, Montana).

Note: Wage and salary workers only.

[a]Excludes large numbers of service workers not covered by unemployment insurance. Estimated total service employment in 1968 was 30,500 (table 5.1).

[b]Includes photographic studios, barber shops, shoe repair shops, and funeral services.

[c]Includes advertising, consumer credit reporting agencies, collection agencies, stenographic services, services to dwellings and other buildings.

[d]Includes electrical repair shops; watch, clock, and jewelry repair; and re-upholstery and furniture repair.

[e]Includes dance halls, studios and schools; bands, orchestras, and entertainers; bowling alleys and billiards and pool parlors, and sports promoters and commercial operators.

[f]Includes private educational services, private households, and miscellaneous services.

are significantly below the national average? (See Paul E. Polzin, Structural Determinants of Wage and Income Levels in Montana, Staff Study, Montana Economic Study [Missoula, Montana: Bureau of Business and Economic Research, University of Montana, 1970].) They are referring, also, to the growth of an intensely seasonal activity in a state historically plagued by high seasonal unemployment. According to Employment Security Commission figures for recent years, there may be 5,000 or 5,500 more workers in retail trade in August than in February, and around 4,700 more service workers in August than in January in a typical year.[26] If these seasonal jobs are held by vacationing students or married women who want to work only part-time, they may provide a welcome supplemental income. But to the extent that they are held by heads of families, male or female, they will only add to existing problems of low incomes and seasonal unemployment.

The extreme seasonality of many types of tourist and recreation activities--such as summer resorts and ski areas--also adds to the difficulty owners experience in earning an adequate return on their investment. For instance, a report by the Federal Reserve Bank of Minneapolis indicated that 26 ski resorts in the Ninth Federal Reserve District, which includes Montana, had an average annual rate of return on investment of 1.98 percent over the years 1959-1964.[27] Perhaps ski resorts are not a typical example; some other types of seasonal recreation facilities may produce better returns.

---

26. Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana).

27. Federal Reserve Bank of Minneapolis, Ski Resorts in the Ninth District, Business Report Series no. 1 (November 1964), p. 17.

Unfortunately, no data are available. Nevertheless, the past history of many such facilities and the scarcity of investment funds for them indicate that the returns generally have been low.

Of course, efforts are being made both to extend the summer vacation season and to provide facilities which will attract more winter recreationists. While such efforts should meet with some success, it is likely that as long as present patterns of school attendance and family vacations persist, travel for recreation will continue to be concentrated in the summer months and around the Christmas holidays. This means that jobs in resort areas will continue to be seasonal and, in many cases, the return on investments will be low.

There is no doubt that tourism will grow. If Montanans stop to think carefully about the industry, however, several things should become obvious. First, its growth may not be as rapid as some enthusiasts predict. Second, there are some distinct disadvantages connected with its growth, among them the creation of more low-paying jobs. And third, if we are to prevent the unattractive developments which usually accompany a growth in tourism--the hamburger stand, tarpaper shack type of thing already in evidence in some parts of the state--Montana will need to develop strong zoning regulations in rural areas and to see that these regulations are enforced.

Recognizing these disadvantages means that Montanans should not expect tourism to solve their economic problems. If they are interested in achieving higher individual incomes, particularly for those presently at the lower levels, they must think carefully about priorities and give greater emphasis to encouraging economic activities which will better help reach that goal.

Montana needs industries and business which will employ skilled labor; it needs jobs for the substantial number of educated young men and women who leave the state every year, or for others who might like to come to Montana. It needs activities which utilize its resources. Of course, these activities must be conducted in a way which will protect the natural environment. Opportunities for this kind of growth are not so easy to visualize as are the possibilities of a new recreation facility. But the rewards they bring in terms of income will be substantially greater.

Wholesale Trade

By national standards, wholesaling is not an important activity in Montana. Wholesale markets for most products simply are too small. Whereas in the United States in 1968 there were 35 wholesale employees for every 100 retail workers, in Montana the ratio was 25 to 100. And although the state's retail sales in 1963 accounted for 0.4 percent of United States sales, wholesale trade in the state accounted for only 0.2 percent of the national total.[28]

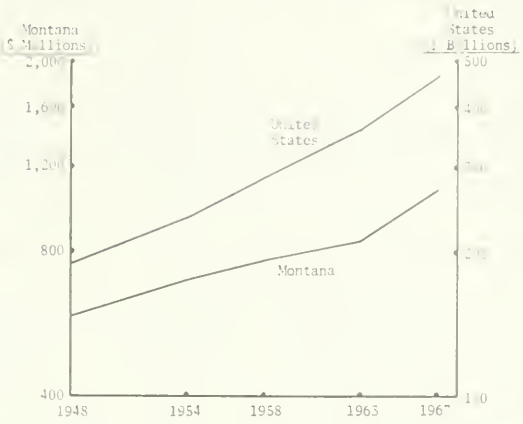
Thirty-five percent of total wholesale sales in 1967 in Montana were attributed to wholesalers of farm products, mostly grain and livestock. Next in importance were grocery wholesalers and petroleum and petroleum products dealers.[29] These businesses serve the many retail outlets which handle these bulky and, in the case of groceries, sometimes perishable products.

---

28. U.S. Department of Commerce, Statistical Abstract of the United States: 1969, tables 317, 1162, and 1171, pp. 219, 756, and 765; and Employment Security Commission of Montana, "Employees on Montana Nonagricultural Payrolls."

29. Based on data from table 5.10 ("State Total" column).

Wholesale Sales, Montana and the United States
1948-1967



Sources: [Montana, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1948, Wholesale Trade, Montana, Bulletin 1-W-25 (Washington, D.C.: U.S. Government Printing Office, 1950), table 101, p. 25.02.

[Montana, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Wholesale Trade, Area Statistics, Montana, BC58-WA26 (Washington, D.C.: U.S. Government Printing Office, 1960), table 105, p. 26-9.

[Montana, 1958] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Wholesale Trade, Area Statistics, Montana, BC63-WA28 (Washington, D.C.: U.S. Government Printing Office, 1964), table 1, p. 28-5.

[Montana, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Wholesale Trade, Area Statistics, Montana, BC67-WA28 (Washington, D.C.: U.S. Government Printing Office, 1969), table 1, p. 28-5.

[United States, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1948, Wholesale Trade, Area Statistics, vol. 5 (Washington, D.C.: U.S. Government Printing Office, 1951), table 1C, p. 0.05.

[United States, 1954] U.S. Department of Commerce, Bureau of the Census, U.S. Census of Business: 1958, Wholesale Trade, Area Statistics, vol. 4 (Washington, D.C.: U.S. Government Printing Office, 1961), table 1B, p. 1-8.

[United States, 1958 and 1963] U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Wholesale Trade, Area Statistics, vol. 5 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-7.

[United States, 1967] Estimated from data obtained from U.S. Department of Commerce, Bureau of the Census, Census of Business: 1963, Wholesale Trade, Area Statistics, vol. 5 (Washington, D.C.: U.S. Government Printing Office, 1966), table 1, p. 1-7; and U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, vol. 49, no. 12 (December 1969), p. S 11.

Note: United States data for 1948, 1954, and 1958 exclude Alaska and Hawaii; United States figure for 1967 is a preliminary estimate.

The Upper Midwest Economic Study found that Montana buys much of its manufactured goods from wholesalers in Minneapolis-St. Paul, Denver, Seattle, and Portland.[30] Billings and Great Falls are the state's major wholesale centers; in 1967, they accounted for 45 percent of all wholesale sales (table 5.10). Billings (Yellowstone County) is the leading wholesaler of nonfarm products and is especially big in groceries, with 40 percent of total state sales. Also important in Yellowstone County are electrical goods (47 percent); hardware, plumbing, and heating supplies and equipment (44 percent); machinery, equipment and supplies (48 percent); and paper (42 percent). Farm products account for over one-third of Great Falls' sales (Cascade County), but amount to only 22 percent of the state total. Among nonfarm products, Great Falls tends to specialize in motor vehicles and automotive equipment (53 percent of the Montana total). This has been the most rapidly growing group of wholesalers in the state and much of the growth has taken place in Great Falls.

Butte and Missoula also serve as wholesale distribution centers, although their sales are much smaller than those of Billings and Great Falls. Since 1948, Missoula has experienced the greatest percentage growth in wholesale sales, although the rate of increase between 1963 and 1967 slowed considerably (table 5.11). Butte, whose sales declined sharply between 1948 and 1963, recovered dramatically during the next four years. In 1967 it regained from Missoula its rank as number three wholesaling city in Montana, although its dollar sales were only slightly above 1948. Because of its good location vis-a-vis transportation, Butte has always seemed to have a potential as a wholesaling center.

---

30. Borchert and Adams, Trade Centers and Trade Areas of the Upper Midwest, fig. 8, p. 25.

TABLE 5.10

Wholesaling in Yellowstone and Cascade Counties
Montana, 1967

Kind of Business	Yellowstone County ($000)	Cascade County ($000)	The Two Counties Combined ($000)	State Total ($000)	Two Counties as Percentage of State Total
Total sales	266,673	220,661	487,334	1,081,494	45.1
Motor vehicles and automotive equipment	20,092	48,324	68,416	91,304	74.9
Drugs, chemicals, and allied products	7,205	NA	NA	19,178	NA
Groceries and related products	66,052	26,544	92,596	164,233	56.4
Farm products--raw materials	49,685	82,462	132,147	381,659	34.6
Livestock	44,026	NA	NA	NA	NA
Electrical goods	15,272	2,565	17,837	32,599	54.7
Hardware, plumbing, heating equipment and supplies	12,058	2,827	14,885	27,350	54.4
Machinery, equipment, and supplies	45,534	10,592	56,126	94,356	59.5
Petroleum and petroleum products	15,710	7,538	23,248	120,213	19.3
Beer and ale	2,232	2,640	4,872	20,899	23.3
Paper and its products	3,964	2,243	6,207	9,474	65.5
Lumber and construction materials	8,881	7,428	16,309	49,705	32.8
Other kinds of wholesale businesses	19,988	27,498	47,486	70,524	67.3

Source: U.S. Department of Commerce, Bureau of the Census, Census of Business: 1967, Wholesale Trade, Montana, BC67-WA28 (Washington, D.C.: U.S. Government Printing Office, 1969), tables 1 and 5, pp. 28-5 and 28-10.

NA = not available. These sales data have been included in "other kinds of wholesale businesses."

TABLE 5.11

Growth of Wholesale Trade in Montana
1948-1967

County	Wholesale Sales ($000) 1948	1963	1967	Percent Change 1948-1967	1963-1967
he state	587,330	844,249	1,081,494	84.1	28.1
Cascade	73,103	142,303	220,661	201.8	55.1
Missoula	24,892	66,519	82,273	230.5	23.7
Silver Bow	78,361	59,549	82,501	5.3	38.5
Yellowstone	152,303	206,813	266,673	75.1	28.9
Four counties combined	328,659	475,184	652,108	98.4	37.2
Rest of state	258,671	369,065	429,386	66.0	16.3

ources: [Sales, 1948] U.S. Department of Commerce, Bureau of the Census, U.S. Census of usiness: 1948, Wholesale Trade, Area Statistics, Montana (Washington, D.C.: U.S. overnment Printing Office, 1950), table 103, p. 25.03.

Sales, 1963 and 1967] U.S. Department of Commerce, Bureau of the Census, Census of usiness: 1967, Wholesale Trade, Area Statistics, Montana (Washington, D.C.: U.S. overnment Printing Office, 1969), tables 4 and 7, pp. 28-8, 28-9, 28-12, and 28-13.

Output per worker in wholesaling has grown much more rapidly than in retail trade. The National Planning Association reports that between 1948 and 1968, output per full-time equivalent job in wholesaling increased, in 1958 dollars, from $7,628 in 1948 to $14,289 in 1968; for retailing, the change was from $4,194 to $6,351.[31] It is not surprising, therefore, that employment has increased less rapidly in wholesaling or that wholesale workers are better paid than retail employees.

Employment in wholesale trade increased only 21 percent between 1950 and 1969, compared to a 29 percent growth in retail trade employment (table 5.1). Like employment in most other Montana industries, wholesale trade employment grew less rapidly than in the United States. Average annual earnings in wholesaling in 1968 were $6,739, with a range of from $5,499 for those in farm products distribution to $7,827 for electrical goods wholesalers (table 5.12)

The Finance Industries

While financial institutions may be crucially important to the development of an area, their significance as employers outside the major financial centers generally is quite limited. This report must be confined chiefly to the role of Montana's finance, insurance, and real estate institutions as employers and their effect on employment and earnings. The question, frequently raised, of how well these financial institutions serve the state must await another report.

---

31. Ahmad Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, National Planning Association, Center for Economic Projections, National Economic Projections Series, Report 70-N-1 (Washington, D.C.: National Planning Association, 1970), table VI-11, p. S-77.

Output per worker in wholesaling has grown much more rapidly than in retail trade. The National Planning Association reports that between 1948 and 1968, output per full-time equivalent job in wholesaling increased, in 1958 dollars, from $7,628 in 1948 to $14,289 in 1968; for retailing, the change was from $4,194 to $6,351.[31] It is not surprising, therefore, that employment has increased less rapidly in wholesaling or that wholesale workers are better paid than retail employees.

Employment in wholesale trade increased only 21 percent between 1950 and 1969, compared to a 29 percent growth in retail trade employment (table 5.1). Like employment in most other Montana industries, wholesale trade employment grew less rapidly than in the United States. Average annual earnings in wholesaling in 1968 were $6,739, with a range of from $5,499 for those in farm products distribution to $7,827 for electrical goods wholesalers (table 5.12)

The Finance Industries

While financial institutions may be crucially important to the development of an area, their significance as employers outside the major financial centers generally is quite limited. This report must be confined chiefly to the role of Montana's finance, insurance, and real estate institutions as employers and their effect on employment and earnings. The question, frequently raised, of how well these financial institutions serve the state must await another report.

---

31. Ahmad Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, National Planning Association, Center for Economic Projections, National Economic Projections Series, Report 70-N-1 (Washington, D.C.: National Planning Association, 1970), table VI-11, p. S-77.

TABLE 5.12

Employment and Earnings in Wholesale Trade
Montana, 1968

Industry	Average Monthly Employment	Average Earnings (Annual Rate)
Wholesale trade	8,974	$6,739
Motor vehicles and automotive equipment	1,096	6,978
Drugs, chemicals and allied products	535	7,633
Groceries and related products	1,283	6,448
Farm products--raw materials	802	5,499
Electrical goods	331	7,827
Hardware, plumbing, heating equipment and supplies	468	6,286
Machinery, equipment, and supplies	1,789	7,567
Miscellaneous wholesalers	2,670	6,356

Source: Employment Security Commission of Montana, unpublished data (Helena, Montana).

Note: Wage and salary workers only.

The finance industry includes a large variety of operations: banks and other credit agencies, such as savings and loan associations, agricultural credit institutions, credit unions, and small loan companies; security and commodity brokers and dealers; insurance companies; insurance agents and brokers; real estate operators and agents; and holding and investment companies. Their combined employment (wage and salary workers) in Montana in 1968 was approximately 7,600 (table 5.1). About 3,100 of these employees were at work in commercial banks (table 5.13).

Contrary to popular opinion, most workers in these industries earn at rates somewhat above the average. The 3,100 bank employees, for example, were paid at an average annual rate of $6,028 in 1968 and the 1,066 employees of insurance carriers at $6,367 (table 5.13). These figures may be compared to the $5,579 annual rate for all workers covered by unemployment insurance and to the considerably lower averages in retail trade and services (table 5.9).[32]

Table 5.14 indicates that the finance industries are especially important in Region V, no doubt because of the presence of Billings (Yellowstone County). Although Helena, in Lewis and Clark County, is the home of a branch of the Federal Reserve Bank of Minneapolis and is the state capital, Billings and Great Falls are the financial centers of Montana. Almost 15 percent of total state bank deposits were in Yellowstone County banks and over 12 percent were in Cascade County banks in 1968 (table 5.2). Each county employed approximately 18 to 19 percent of all finance, insurance, and real estate workers in the state.[33]

---

32. Employment Security Commission of Montana, unpublished data (Helena, Montana).

33. Ibid.

TABLE 5.13

Employment and Earnings in Montana's Finance Industries
1968

Industry	Average Monthly Employment	Average Earnings (Annual Rate)
Finance, insurance, and real estate	7,030	$ 5,795
Banking	3,098	6,028
Credit agencies other than banks[a]	679	5,967
Security and commodity brokers	150	11,358
Insurance carriers	1,066	6,367
Insurance agents, brokers, and service	684	5,621
Real estate	952	3,780
Combinations of real estate, insurance, loans, and law offices	332	4,995
Holding and other investment companies	69	6,060

Source: Employment Security Commission of Montana, unpublished data (Helena, Montana).

Note: Figures exclude persons in finance, insurance, and real estate working on commission and not covered by unemployment insurance. In 1968, estimated total number of wage, salary, and commission workers in the industry was 7,600.

[a]Includes savings and loan associations, agricultural credit associations, credit unions, and small loan companies.

TABLE 5.14

Earnings from Finance, Insurance, and Real Estate
by Economic Regions, Montana, 1966

Region	Earnings ($000)	Percentage of Total Earnings
The state	54,000	3.6
Region I[a]	8,550[b]	3.1
Region II[c]	15,088[d]	3.5
Region III[e]	3,045[f]	2.1
Region IV[g]	12,879	3.9
Region V[h]	12,668[i]	5.2
Region VI[j]	1,586[k]	2.3

Sources: [Region earnings] U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

[State earnings] U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, vol. 47, no. 8 (August 1967), table 70, p. 37.

Notes: Earnings figures represent income from current participation in the labor force: wages and salaries, other labor income, and proprietors' income.

Total may not add due to rounding; and due to incomplete data for regions indicated, resulting from the exclusion of certain county data either to avoid disclosure or because of insufficient data. Exclusions amount to $184,000.

Since 1966, the state total has been revised to $56 million, or 3.7 percent of total state earnings.

[a]Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders Counties.

[b]Excludes data for Granite and Mineral Counties which were withheld to avoid disclosure.

[c]Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, Meagher, Petroleum, Phillips, Pondera, Teton, and Toole Counties.

[d]Excludes data for Petroleum County because of insufficient data.

[e]Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux Counties.

[f]Excludes data for McCone and Wibaux Counties which were withheld to avoid disclosure.

[g]Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, Madison, Park, Powell, and Silver Bow Counties.

[h]Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, Treasure, Wheatland, and Yellowstone Counties.

[i]Excludes data for Golden Valley County, because of insufficient data, and for Treasure County, which were withheld to avoid disclosure.

[j]Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties.

[k]Excludes data for Prairie County which were withheld to avoid disclosure.

Although employment in the finance industries is small, it has grown rapidly since 1950--with a 90 percent increase between 1950 and 1969 (table 5.1). The only other industry group which approached this rate of growth was government, with a gain of 84 percent.[34]

At the end of 1969, there were 136 banks in Montana; there had been 110 in 1950.[35] Four cities had four or more banks; they were Billings, Butte, Great Falls, and Missoula. Three--Bozeman, Helena, and Kalispell--had three banks. There were 22 towns with 2 and 63 towns with 1 bank.[36] One of the most interesting developments in Montana banking in recent years has been the expansion of bank holding companies--a device which allows multi-ownership of banks without violating Montana's unit banking law. This law forbids branch banking in the state. There was a strong attempt in the 1969 Montana Legislature to change the law and permit branch banking. Some experts believe that the advent of branch banking probably would result in the elimination of some small independent banks, particularly in the smaller communities. The assumption is, of course, that some small town banks are less efficient and/or not as competitive. The substitution of branches for independent banks probably would serve to reduce employment in banking activities in the small communities.

---

34. Employment Security Commission of Montana, "Employees on Montana Nonagricultural Payrolls."

35. Federal Deposit Insurance Corporation, Assets, Liabilities, and Capital Accounts, Commercial and Mutual Savings Banks, Report of Call no. 86, December 31, 1968 (Washington, D.C., 1969), p. 29; and Federal Deposit Insurance Corporation, Assets, Liabilities, and Capital Accounts, Capital and Other Ratios, Commercial and Mutual Savings Banks, December 30, 1950, Report 34 (Washington, D.C., 1951), p. 36.

36. Polk's World Bank Directory, 151st edition, March 1970 (Nashville, Tennessee: R. L. Polk and Co., 1970), pp. Montana-1 to Montana-13.

Although banks remain the backbone of the financial system and employ by far the largest number of workers, they have been subject to increasing competition from other credit agencies. Between 1950 and 1968, for example, while the assets of all Montana banks were increasing from $611 million to $1,555 million (a 154 percent growth), the total assets of 13 savings and loan institutions in the state were growing from $31 million to $240 million, or 674 percent. Over the same period, time deposits of banks increased 642 percent and savings shares of savings and loan associations 704 percent; real estate mortgage loans and repair and modernization loans by banks were up 435 percent and mortgage loans and savings contracts of savings and loan institutions, 745 percent.[37]

Other developments in the finance industries since 1950 have included the expansion of small loan companies which came into the state in large numbers after the passage of the Consumer Loan Act by the Montana Legislature in 1959.

Security brokers, insurance companies and agencies, real estate agencies and holding and other investment companies also are a part of the finance, insurance, and real estate group. Employment in these activities is concentrated in the larger cities and towns somewhat in proportion to the population. They are, of course, dependent upon population and income growth for their own expansion.

---

37. Federal Deposit Insurance Corporation, Assets, Liabilities, and Capital Accounts, Report of Call no. 86, pp. 28-29; Federal Deposit Insurance Corporation, Assets, Liabilities, and Capital Accounts, Report 34, p. 36; Federal Home Loan Bank Board, Member Savings and Loan Associations of the Federal Home Loan Bank System, Combined Financial Statements, 1968 (Washington, D.C., 1969), table 10, p. 14; and Home Loan Bank Board, Combined Financial Statements of Members of the Federal Home Loan Bank System, 1950 (Washington, D.C., 1951), table 9, p. 30.

The Outlook

For the most part, what happens to Montana's trade, service, and finance industries depends upon events in agriculture, mining, manufacturing, and Montana's other primary industries. Development of tourist and recreation facilities may bring expansion in some areas. Changes in those activities, as reflected by their employment, will determine how rapidly the demand for consumer goods and services increases, or whether it increases at all. Since the outlook for all these industries seems to preclude any startling increases in overall employment, the assumption might well be that Montana's trade, service, and finance industries will continue to grow at a rather slow rate.

The one exception to this assumption appears to be the service industries. In the United States, the demand for services is expected to continue to increase rather rapidly and output per worker is expected to grow more slowly than in most industries.[38] The growth of employment in retail and wholesale trade and in finance is expected to slow dramatically. Similar patterns, modified by local conditions, are expected in Montana. As a result, the number of jobs in the state's service industries is projected to increase by 12,400, or 41 percent, while a much slower growth occurs in retail trade and finance and a small decline takes place in wholesale trade. This represents a drastic change for the finance industries, which grew very rapidly between 1950 and 1968.

---

38. Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, table VI-11, p. S-77.

The number of employees in 1968 and the number anticipated in 1980 in the various industries are:[39]

	1968	1980	Change, 1968-1980 Number of Jobs	Percent
Retail trade	36,500	37,800	1,300	3.6
Wholesale trade	9,000	8,700	-300	-3.3
Services	30,500	42,900	12,400	40.7
Finance	7,600	9,100	1,500	19.7
Total	83,600	98,500	14,900	17.8

According to these projections, 98,500 wage and salary workers--or 42 percent of total nonagricultural wage and salary workers--will be employed in trade, services, and finance in 1980. This is about the same proportion as in 1968. Because of the lack of data, it was not possible to project the number of self-employed persons in these industries. The tendency toward fewer small businesses in retail trade has already been noted; however, it is possible to envision some increase in the number of self-employed service workers.

Among the conclusions that can be drawn from these projections are the assumptions that, one, the overall expansion of retail trade in Montana may slow rather dramatically and, two, that the growth of employment in the service industries probably will exert downward pressure on per capita income in the state.

Such generalities, of course, conceal many different influences at local levels. There are cities and towns in Montana which in recent years have experienced a respectable growth, among them Billings, Bozeman,

---

39. Table 5.1; and "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 4.

Great Falls, Havre, Helena, Kalispell, and Missoula. It should be noted that only 4 of the towns--Billings, Missoula, Havre, and Helena--approached or exceeded the 28 percent increase in retail sales recorded nationally, and that Havre showed up poorly in the service industries.[40] It is worth noting, too, that three of these cities--Bozeman, Great Falls, and Helena--are heavily dependent upon government activities. Nevertheless, in most cases these cities will continue to increase their stature as trade centers during the next few years.

The outlook for many small towns in Montana can only be described as grim. Some are close enough to larger cities for residents to commute to work. Some, especially in western Montana, are supported by activities (such as wood products) which can be expected to continue or even expand. But many a small town in rural Montana, with a clientele limited to farmers and ranchers, has almost no way to go but down. With the numbers of customers declining, and those remaining demanding an ever wider range of goods and services, small town businesses simply will not be able to compete. As highway transportation continues to improve, ranchers will find it increasingly easy to shop in the larger trade centers.

There is another aspect to the problem. Today's rural residents not only demand more goods and personal services than the very small town can provide, but their expectations for cultural and social services also are rising. Many of these services and activities simply are not available in small communities, although the school frequently serves as a community and social center. As pressures for consolidation of small school districts

---

40. Table 5.6; and U.S. Department of Commerce, Census of Business: 1963, Retail Trade, U.S. Summary and Alabama to Illinois, vol. 2, pt. 1, table 1, p. 1-6; and U.S. Department of Commerce, Statistical Abstract of the United States: 1969, table 1160, p. 753.

grow, even this asset will be lost to some towns. Of course, the same disadvantages that cause farmers and ranchers to bypass the small community also cause many of its residents, particularly the young people, to seek greater opportunity elsewhere.

There have been proposals at the national level for efforts to save the American small town--much of it sentimental talk of a renaissance of rural communities. To date there has been very little action, and while there are always exceptions, the likelihood of a successful revival of the majority of Montana's rural communities seems remote indeed. The action, the growth, and the jobs are in the larger cities and towns and will remain there in the foreseeable future. And, for the most part, the successful retailers and wholesalers and the growing service firms and financial institutions will be there too.

CHAPTER 6

THE TRANSPORTATION, COMMUNICATION, AND PUBLIC UTILITIES INDUSTRIES

Because of Montana's size and its remoteness, transportation and communication have always been important and difficult. There is little doubt that Montana residents are penalized economically by transportation and communication problems resulting from the state's geographic location and the small number of people in relation to land area. The sparsity of population apparently also makes the costs of utility services higher than they would otherwise be, although utility charges compare favorably to national average rates. Many residents of the state would add, however, that there also are advantages to living in a sparsely settled area. Montanans do not have to contend with gigantic traffic jams, noisy and overburdened airports, and the constant possibility of an electrical blackout.

Unfortunately, many of the more significant aspects of the problems associated with transportation, communication, and utilities in Montana

cannot be discussed in this limited report. The concern here must be with the direct effect of these industries on employment and earnings in the state.

Although transportation, communication, and public utilities are not usually ranked among Montana's major industries, they have had a pronounced effect on employment and earnings in the state. Their share of total employment has fallen from 10 percent in 1950 to 7 percent in 1969.[1] The decline occurred in railroad workers; their numbers fell from 14,500 in 1951 to 6,800 in 1969; this means 7,700 fewer well-paid workers in a state which could not afford the loss (table 6.1).

In 1969, the transportation, communication, and public utilities industries accounted for 10 percent of total earnings from participation in the labor force.[2] They are especially important in Regions I and V, according to 1966 estimates, the latest data available for regions (table 6.2).

The average annual rate at which utilities workers (except railroad employees) were paid varied from a low $4,218 for local transit and intercity transportation workers to $8,978 for pipeline workers in 1968

---

1. U.S. Department of Commerce, Bureau of the Census, U.S. Census of Population: 1960, General Social and Economic Characteristics, Montana, Final Report PC(1)-28C (Washington, D.C.: U.S. Government Printing Office, 1961), table 62, p. 28-106; and Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana).

2. U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., 1970).

Employment in Transportation, Communication, and Other Public Utilities, Montana, 1950-1969

Year	Combined Employment		Railroad Transportation	All Other Transportation[a]	Communication[b]	Electric, Gas, and Sanitary Services
	Number	Percentage of Total Nonagricultural Employment				
1950	21,900	14.7	14.000	3,300	2,100	2,500
1951	23,000	15.2	14,500	3,500	2,400	2,600
1952	23,100	14.9	14,300	3,500	2,700	2,600
1953	23,300	14.9	14,200	3,600	2,900	2,600
1954	21,900	13.9	13,000	3,500	2,900	2,500
1955	21,700	13.4	12,600	3,700	3,000	2,400
1956	21,600	12.8	12,000	3,900	3,100	2,600
1957	20,800	12.6	11,200	3,800	3,200	2,600
1958	19,300	11.9	9,600	3,700	3,500	2,500
1959	19,400	11.8	9,400	4,000	3,500	2,500
1960	19,000	11.4	9,000	4,000	3,500	2,500
1961	18,300	11.0	8,400	3,900	3,500	2,500
1962	17,900	10.4	8,100	3,900	3,500	2,500
1963	17,600	10.1	7,900	3,800	3,300	2,600
1964	17,400	9.9	7,700	3,800	3,300	2,600
1965	17,500	9.7	7,500	4,000	3,400	2,700
1966	17,700	9.5	7,500	4,100	3,400	2,800
1967	17,800	9.4	7,200	4,400	3,500	2,700
1968	17,600	9.0	6,900	4,500	3,500	2,700
1969	17,600	9.0	6,800	4,600	3,500	2,700

Source: [All data except percentages] Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana), and unpublished data.

Note: Wage and salary workers only. Totals may not add due to rounding.

[a]Includes local and suburban transit and interurban highway passenger transportation; motor freight transportation and warehousing; water transportation; transportation by air; pipeline transportation; and transportation services.

[b]Includes telephone and telegraph communication, radio and television broadcasting. Data for years prior to 1958 are not strictly comparable with data for later years because of changes in the 1957 Standard Industrial Classification.

TABLE 6.2

Earnings From Transportation, Communications, and Public Utilities, by Economic Regions, Montana, 1966

Region	Transportation, Communication, and Public Utilities Earnings ($000)	Percentage of Total Earnings
ıe state	139,000	9.3
Region I[a]	31,246	11.4
Region II[b]	34,929	8.2
Region III[c]	12,520[d]	8.6
Region IV[e]	25,978	7.9
Region V[f]	27,184	11.2
Region VI[g]	6,976[h]	9.9

ɔurces: [Region earnings] U.S. Department of Commerce, Office of Business Economics, ıpublished data (Washington, D.C., February 1969).

State earnings] . U.S. Department of Commerce, Office of Business Economics, Survey f Current Business, vol. 47, no. 8 (August 1967), table 70, p. 37.

ɔtes: Earnings figures represent income from current participation in the labor ɔrce: wages and salaries, other labor income, and proprietors' income.

ɔtal may not add due to rounding; and due to incomplete data for regions indicated, esulting from the exclusion of certain county data either to avoid disclosure or be-ause of insufficient data. Exclusions amount to $167,000.

ince 1966, the state total has been revised to $137 million, or 9.1 percent of total arnings.

Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders ɔunties.

Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, eagher, Petroleum, Phillips, Pondera, Teton, and Toole Counties.

Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux ɔunties.

Excludes data for Wibaux County which were withheld to avoid disclosure.

Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, adison, Park, Powell, and Silver Bow Counties.

Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, reasure, Wheatland, and Yellowstone Counties.

Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties.

Excludes data for Carter County which were withheld to avoid disclosure.

(table 6.3). No comparable estimate is available for railroad employees. However, if one divides the U.S. Department of Commerce estimate of $60 million in total wages paid by railroads in Montana in 1968[3] by the estimated 6,900 workers in the state that year (table 6.1), average annual earnings appear to have been around $8,700, or well above what most workers in this industry group--or indeed in most Montana industries--earned.

Transportation

Before the railroads came, travel was by foot, by horse, by stage coach, and by boat. Beginning in the 1880s, the railroads brought people and economic activity to the state, and they provided outlets for Montana's minerals and farm products. Not everyone regarded their impact as wholly beneficial. Railroad promoters oversold the state's agricultural prospects and helped create the serious rural problems which have plagued the state to this day. From the beginning, some Montanans have felt that the railroad freight rates paid by Montana shippers were discriminatory.

Because of the widespread interest in Montana's transportation problems--which today would include problems of highway and air transportation as well--it is unfortunate that they cannot be considered here. Montana needs a carefully detailed study of its transportation system and its freight costs by competent and unbiased experts. Until such a study is done, many comments and judgments concerning the effects of

---

3. U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, vol. 49, no. 8 (August 1969), table 52, p. 20.

TABLE 6.3

Employment and Earnings in Montana's Transportation, Communication, and Public Utilities Industries, 1968

Industry	Average Monthly Employment	Average Earnings (Annual Rate)
All transportation, communication, and public utilities (except railroads)	10,724	$6,830
Local transit and interurban passenger transportation	735	4,218
Motor freight transportation	3,087	7,021
Transportation by air	412	7,163
Pipeline transportation	169	8,978
Other transportation and transportation services	98	4,830
Communication[a]	3,490	6,582
Electric, gas, and sanitary services	2,733	7,523

Source: Employment Security Commission of Montana, unpublished data (Helena, Montana).

Note: Wage and salary workers only.

[a]Includes telephone and telegraph communication and radio and television broadcasting.

transportation on the state will continue to be undocumented and sometimes misinformed.

The first railroad in Montana was the Utah and Northern, coming north from Salt Lake City to Dillon in 1880 and as far as Silver Bow in 1881; it is now part of the Union Pacific line. In 1883, the Northern Pacific, first transcontinental railroad in Montana, was completed. The Great Northern came in 1893, the Milwaukee in 1909. The Chicago, Burlington and Quincy entered Montana from Wyoming and connected with Billings; it recently was combined with the Great Northern, the Northern Pacific and the Spokane, Portland and Seattle Railway, which operates in Washington and Oregon, to form the Burlington Northern. The Butte, Anaconda and Pacific Railway is owned by The Anaconda Company and runs between Anaconda and Butte, hauling mine products. Two other short, little-known railroads operate in the state: the Montana Western, connecting Conrad and Valier in Pondera County, and the White Sulphur Springs and Yellowstone Park Railway, connected Ringling and White Sulphur Springs in Meagher County. The Montana Western, operating in conjunction with the Burlington Northern, hauls mostly grain; the White Sulphur Springs and Yellowstone Park Railway hauls mostly wood products and is associated with The Milwaukee Road.

One effect of the coming of railroads was the establishment of new towns which served as railheads and/or service points. Among them were Glasgow, Havre, and Kalispell on the Great Northern; Glendive, Laurel, and Livingston on the Northern Pacific; Harlowton on the Milwaukee; and Dillon on the Utah and Northern.

By 1910, one year after The Milwaukee Road was completed, there were over 18,000 railroad workers in the state.[4] An additional 2,100 persons were employed in railroad repair shops and classified as manufacturing workers by the census.[5] These 20,000-plus railroad employees may be compared to 6,800 in 1969 (table 6.1).

The decline in railroad employment actually began before 1920; the 20,100 workers reported in the 1910 Census had fallen to approximately 18,000 in 1920.[6] In 1939, toward the end of the depression, they numbered only 9,700.[7] World War II, of course, created an unusual demand for railroad workers. An employment peak was reached in 1945, when approximately 15,700 employees were at work.[8] After the war, the trend dropped sharply downward: passenger travel declined and trucks and planes captured a larger share of the freight business, and railroad companies shifted from

---

4. U.S. Department of Commerce, Bureau of the Census, Thirteenth Census of the United States Taken in the Year 1910: Population, 1910, Occupation Statistics, vol. 4 (Washington, D.C.: U.S. Government Printing Office, 1914), table 2, pp. 116-119.

5. U.S. Department of Commerce, Bureau of the Census, Thirteenth Census of the United States Taken in the Year 1910: Manufactures, 1909, Reports by States, with Statistics for Principal Cities, vol. 9 (Washington, D.C.: U.S. Government Printing Office, 1914), table 2, p. 680.

6. Based on figures from U.S. Department of Commerce, Bureau of the Census, Fourteenth Census of the United States Taken in the Year 1920: Population, 1920, Occupations, vol. 4 (Washington, D.C.: U.S. Government Printing Office, 1923), table 15, pp. 82-85; and U.S. Department of Commerce, Bureau of the Census, Fourteenth Census of the United States Taken in the Year 1920: Manufactures, 1920, Reports for States, with Statistics for Counties and Principal Cities, vol. 9 (Washington, D.C.: U.S. Government Printing Office, 1923), table 27, pp. 830-831.

7. Unpublished estimate of the Employment Security Commission of Montana, (Helena, Montana).

8. Ibid.

steam-powered to diesel engines and automated their switchyards in an attempt to cut labor costs. The National Planning Association's estimate of the annual growth rate in output per full-time railroad employee in the United States between 1948 and 1968, measured in 1958 dollars, was 4.5 percent. This may be compared to an increase of 2.5 percent per year for all industries.[9] In Montana increased per-man productivity was underscored by the steady decline in employment portrayed in table 6.1--from 14,500 employees in 1951 to 6,800 in 1969.

The decrease in Montana's rail employment probably has not reached its end. This conclusion is strengthened by a prediction of further declines at the national level and by the recent merger of three major railroads in Montana--the Great Northern, Northern Pacific, and Burlington. While the new company (the Burlington Northern) may not reduce employment by releasing workers, it is quite likely that employment will decline through natural attrition--that is, employees who retire or quit may not be replaced. Requests to regulatory agencies for permission to discontinue certain passenger trains--some of which have been denied before--will be repeated. The one increase in sight for railroad employment may take place in Billings, which has been designated as one of six regional headquarters of the new company.

The decline in railroad employment has been felt throughout the state, but railroad towns such as Deer Lodge, Glendive, Havre, Laurel, Livingston, Miles City, and Whitefish have been affected the most. These are the small towns which in the post-World War II years were heavily dependent

---

9. Ahmad Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, National Planning Association, Center for Economic Projections, National Economic Projections Series, Report 70-N-1 (Washington, D.C.: National Planning Association, 1970), table VI-12, pp. S-78 and S-79.

on railroad employment. Livingston, Miles City, and Whitefish, in particular, were adversely affected; other industries have had difficulty taking up the employment slack.

Of course, the postwar decline was not unique to Montana. Railroad employment has been falling everywhere in the United States; between 1951 and 1968, the decrease amounted to 52 percent in Montana and 54 percent in the nation.[10] But railroads employ a larger proportion of the labor force in Montana, and this makes the loss more significant here.

It is worth pointing out that while the employment decline in the metal mining industry has received a great deal of publicity (perhaps because the loss was concentrated dramatically in the Butte area), the drop in railroad employment appears to have been more harmful for the state. The number of jobs lost during post-war years is greater (7,700 versus 5,400 lost from each industry's high point in the 1950s to 1969), and they were better paying jobs. In 1968, railroad workers earned at an estimated annual rate of $8,700 (see page 6.5), compared to $8,200 for metal miners and $7,100 for smelter employees.[11]

While railroad employment has been declining in numbers, other transportation activities have increased their employment. Their combined increase of 1,100 workers since 1951, however, fell far short

---

10. Based on data in table 6.1; U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings Statistics for the United States, 1909-68, Bulletin 1312-6 (Washington, D.C.: U.S. Government Printing Office, 1968), p. 716; and U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 317, p. 219. (U.S. Department of Labor, Bureau of Labor Statistics)

11. Table 6.1; and Maxine C. Johnson, "The Industries of Montana," Research Report of the Montana Economic Study, pt. 2, chap. 2 (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, in progress), tables 2.3 and 2.6.

of offsetting the loss of 7,700 workers in railroads (table 6.1). Most of the nonrailroad employment is concentrated in motor freight (truck) transportation, which today employs over 3,000 workers, or almost half as many as the railroads (tables 6.3 and 6.1). Billings has become the major truck transportation center in the state, no doubt because it is also the leading wholesale center. In 1960, latest year for which data are available, almost one-third of all persons engaged in trucking lived in Yellowstone County.[12]

Other transportation services--local transit and intercity transportation (mostly taxis and buses), air transportation, and pipelines--employ only small numbers of workers (table 6.3). Pipeline operations (providing transportation for crude oil and petroleum products) do not require many employees. Commercial airlines employ only slightly more than 400 people in the state. Airlines provide service to 14 of the larger towns, and, although the service provided is limited and frequently inconvenient, the increase in its use has been almost phenomenal. Between 1950 and 1968, the number of enplaned passengers increased from 73,076 to 444,371, a jump of 508 percent. Still, Montana's share of total United States enplanements declined--from 0.43 percent in 1950 to 0.31 percent in 1968. Approximately 69 percent of boardings occurred in Billings and Great Falls; if Missoula and Butte are added, the proportion rises to 86 percent.[13]

---

12. U.S. Department of Commerce, U.S. Census of Population: 1960, General Social and Economic Characteristics, Montana, tables 62 and 85, pp. 106 and 150.

13. Montana State University (now University of Montana), Bureau of Business and Economic Research, The Montana Almanac: 1959-60 Edition (Missoula, Montana: Montana State University [now University of Montana] Press, 1958), pp. 264-265. (U.S. Department of Commerce, Civil Aeronautics Administration, Air Commerce Traffic Pattern); and U.S. Department of Transportation, Federal Aviation Administration and Civil Aeronautics Board, Airport Activity Statistics of Certificated Route Air Carriers, 12 Months Ended December 31, 1968, pt. 2 (Washington, D.C.: U.S. Government Printing Office, 1969), table 3, pp. 136-137.

Like railroad and air passenger service, taxi and bus transportation is limited in the state; combined, these activities employed 735 persons in 1968 (table 6.3).

The inadequacy of public transportation, combined with the great distances involved, probably explains the apparently greater use of automobiles and private planes by Montanans. The greater per capita expenditure for automobile operation in Montana was noted in Chapter 5, on trade and services: an average of $426 per person spent in automobile agencies, gas stations, and repair shops, compared to a national per capita figure of $364. (See Chapter 5, "The Trade, Service, and Finance Industries," table 5.3.) In addition, Montana residents own almost four times as many private planes in relation to the population as do other Americans--2 per 1,000 persons, compared to 0.6 per 1,000 in the United States.[14] Per capita expenditures for highways in Montana provide another illustration of the high cost of distance: in 1967 they amounted to $136 compared to a national per capita expenditure of $70.[15] Only four states--Alaska, Nevada, Vermont, and Wyoming--reported a higher figure. Much of the money spent for highways came from the federal government. Chapter 4 on construction describes the importance of highway construction to the Montana construction industry.

Nationally, great changes in the transportation industry have been recommended. Many of these changes apply to urban areas and would attempt to shift passenger traffic from private automobiles to common carriers

---

14. U.S. Department of Commerce, Statistical Abstract of the United States: 1969, table 855, p. 569. (U.S. Department of Transportation, Federal Aviation Administration)

15. Ibid., table 595, p. 417.

(trains, buses, planes, and water carriers). The effect of these changes would be to slow--but not reverse--the national decline in employment in railroad and local and highway passenger transportation. Among the transportation industries, only motor freight and air transportation are expected to increase their employment nationally. Trucks and cargo jets are expected to record further gains in freight traffic at the expense of railroads. The National Planning Association predicts that in 1980 truck transportation will employ almost three times as many employees as the railroads, and air transportation employment will exceed that of the railroads.[16]

During the 1970s, the private automobile probably will remain the only means of transportation for much of the travel done by Montanans. Air travel--both private and commercial--will continue to grow. Trucks will assume greater importance, but railroad employment--while it may decline further--will continue to constitute a larger proportion of total transportation employment here than in the rest of the United States. Overall, however, the transportation industries will employ fewer people in 1980 than in 1968. The Montana Economic Study projections estimate 4,400 railroad employees and 5,000 workers in all other public transportation facilities in 1980.[17] This total of 9,400 jobs can be compared to the 11,400 such jobs in 1968 and 1969 (table 6.1).

---

16. Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, table VI-8, p. S-70.

17. Projections of employment in Montana, by major industry group, are set forth in "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 4 (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, in progress).

Communications

The communications industry was born in Montana in 1866, when Virginia City was connected to Salt Lake City by telegraph. In the following years, the major cities were linked. Telephone exchanges were first opened in the 1880s and consisted of separate local organizations. Interstate connections were slow, partly because the service usually was unsatisfactory and, no doubt, partly because of the competition of the telegraph.[18]

The communications industry in Montana today comprises Western Union, Mountain Bell, Pacific Power and Light, and numerous small telephone companies, plus a number of radio and television stations and cable television services. Combined employment amounted to 3,500 in 1968, with average annual earnings of about $6,600 (table 6.3).

The telephone and telegraph companies, which are the largest employers in the communications group, have recorded one of the most impressive growths in productivity of any American industry. Between 1948 and 1968, output per full-time worker (in 1958 prices) increased 6 percent per year; the equivalent growth rate for all industries was 2.5 percent.[19] In Montana, this rapid increase in productivity combined with a slowly growing demand for services, resulted in no change in communications employment over the decade of the sixties. Although no data are available to confirm it, a reasonable assumption would be that a small decline in employment by the telephone and telegraph companies may have been offset by an increase in radio and television employment. Even in remote rural areas, the local telephone operator has almost vanished.

---

18. Merrill G. Burlingame and K. Ross Toole, A History of Montana, vol. 2 (New York: Lewis Historical Publishing Company, Inc., 1957), pp. 66-68.

19. Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, table VI-12, p. S-79.

Between 1950 and 1960, a considerable increase in communications employment did occur, from 2,100 employees in 1950 to 3,500 in 1960 (table 6.1). At least some of this increase was due to the establishment of the television industry. The first television stations in Montana began broadcasting in 1953. Today, most of the state receives some television service, although offerings frequently are limited. One notable deficiency is the lack of any public television broadcasting service in many parts of the state, and the absence of educational television in the public schools. Here again, Montanans pay a price for distance and population sparsity.

Future developments in employment in all the communications industries will be limited by additional increases in productivity per employee and by limited population growth in Montana.

Public Utilities

The utilities industry in Montana consists of three major private firms providing electricity and gas--The Montana Power Company, by far the largest and most influential; Montana-Dakota Utilities Company, which operates in the eastern part of the state; and Pacific Power and Light Company, an Oregon corporation, which supplies electricity and telephone service in northwestern Montana--plus a number of small rural electric cooperatives, water supply systems, garbage collection firms, etc. Federal power operations, municipally owned water systems, and other publicly owned utilities in the state are not included in the industry; they are classified under government in the standard industrial classification. Nevertheless, any discussion of the utilities industries must include government operations in the field.

This section will concentrate on the electric and gas utilities. They are the major employers and it is their employment policies which have the greatest effect on the state's economy. Like the railroad industry, these utilities have often been criticized by Montana residents for the cost and quality of their services. The policies of state regulatory agencies have been questioned. None of these subjects can be considered in this report. Nor, unfortunately, can the adequacy and quality of water supply systems and sanitary services--sewer systems, garbage collection, etc., although it is common knowledge that problems exist in these fields also.

Montana's electric utilities industry differs from the national industry in several ways. The industry's privately owned facilities produce only about one-half the power produced in the state; publicly owned (federal) facilities produce the other half. In the United States, privately owned utilities generate 76 percent of total power (table 6.4). Most of the power generated in Montana is hydroelectric, whereas nationally most electricity comes from steam plants. And Montana utilities are far more dependent upon a few large industrial customers than is true for utilities in other parts of the country. (See tables 6.4 and 6.5.) The Anaconda Company has long been a very important customer of The Montana Power Company. The political impact of these two large firms on the state has fascinated historians and Montana residents since the early days of Montana history.

Employment by private utility companies in Montana amounted to 2,700 in 1969, only 200 more than the 2,500 workers reported in 1950 (table 6.1). In both years, most of this employment was concentrated in the three major companies. There is no information as to how many government workers are employed in the utilities field, but since public operations are usually concerned only with production and transmission rather than final distribution,

TABLE 6.4

Installed Capacity of the Electric Utilities Industry
Montana and the United States, 1950 and 1967

Item	Installed Capacity Montana 1950 (000 kw)	Installed Capacity Montana 1967 (000 kw)	Percentage of Total Montana 1950	Percentage of Total Montana 1967	Percentage of Total United States 1967
By prime mover:					
Total capacity	442	1,659	100	100	100
Hydro	426	1,512	96	91	18
Fuel	16	147	4	9	82
By ownership:					
Total capacity	442	1,659	100	100	100
Privately owned	388	909	88	55	76
Publicly owned	54	750	12	45	24

Sources: [Capacity, 1950] U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1952, 73rd edition (Washington, D.C.: U.S. Government Printing Office, 1952), table 574, p. 480. (Federal Power Commission)

[Capacity, 1967] U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 760, p. 514. (Federal Power Commission)

TABLE 6.5

Electric Energy Sales by Class of Service
Montana and the United States, 1966

Service	Montana		United States	
	Sales (000,000 kwh)	Percentage of Total	Sales (000,000 kwh)	Percentage of Total
Total sales	6,902	100	1,035,663	100
Residential	1,261	18	316,792	31
Commercial	698	10	218,075	21
Industrial	4,657	67	464,611	45
Other	286	4	36,185	3

Source: [Sales] U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1968, 89th edition (Washington, D.C.: U.S. Government Printing Office, 1968), table 768, p. 520. (Federal Power Commission)

the number would not be large. As in the case of the communications industry, the lack of growth in employment reflects the slow rate of population expansion in Montana and the impressive increase in output per worker in the utilities industries. The National Planning Association reports an increase in real output per worker of 5.8 percent per year between 1948 and 1968; the figure for all industries in the United States was 2.5 percent.[20]

For years, Montana's hydroelectric potential was regarded as one of the state's greatest resources. The first generating plant to utilize water power was built at Black Eagle Falls on the Missouri River near Great Falls in 1891. In later years, many more dams were built on the Missouri, mostly by The Montana Power Company. Early demand for electric power came from the state's smelting and refining industry and from The Milwaukee Road, which in 1914 electrified its operations between Harlowton, Montana, and Avery, Idaho.

Until 1952, most of the power produced in Montana was hydroelectric power generated by privately owned utilities. As of December 31, 1950, they owned 88 percent of the generating capacity in the state (table 6.4). Approximately 96 percent of total generating capacity was hydroelectric, and consisted of 12 small dams operated by The Montana Power Company. Fort Peck Dam in northeastern Montana was the only publicly owned installation of any significance. In 1952 and 1953, two more federal installations--Hungry Horse Dam on the South Fork of the Flathead and Canyon Ferry on the Missouri--were completed.

---

20. Ibid.

For a number of years before and after the construction of these dams, the issue of who should develop Montana's water resources--and for what purposes--was a hot one. The rationale for development by the federal government, of course, was that dams should be multipurpose, that they should provide for flood control, recreation, and, in some areas, navigation, as well as generate electricity. The methods used by federal agencies in estimating the costs and benefits of multipurpose facilities have been criticized by some economists. Private profit-making organizations were primarily interested in single-purpose, revenue-producing power facilities. Whereas federal agencies were apt to take a regional view, private utilities generally were concerned only with meeting the demand in their service area.

Even though several new privately financed dams were constructed--including The Montana Power Company's Cochrane Dam and Washington Water Power's Noxon Rapids Dam in Sanders County--during the 17-year period, the proportion of hydroelectric generating capacity in private ownership declined from 87 percent on December 31, 1950, to 50 percent at the end of 1967.[21] When Libby Dam on the Kootenai River in northwestern Montana is completed in 1975, public power capacity will exceed private generating capacity for the first time in Montana.

In recent years the discussion as to who should build dams in the state has diminished, perhaps because most of the remaining hydroelectric potential appears to be too costly to develop at this time and perhaps

---

21. Based on data from table 6.4. Fuel plants are privately owned and must be deducted from total privately owned capacity before computing the proportion of hydroelectric capacity in private ownership.

partly because other national priorities have evolved. With the exception of the most recent federal installations--Yellowtail Dam on the Big Horn River near Hardin (completed in 1967) and Libby Dam--recent additions to generating capacity have been in the form of privately owned steam-generating plants using coal for fuel. One remaining hydro site--the Knowles Dam site on the Clark Fork--has been recommended to Congress for authorization by the Corps of Engineers; a counter proposal for its development has been made by The Montana Power Company.

Most of the direct sales of public power in Montana go to two industrial firms--the Anaconda Aluminum Company at Columbia Falls and Stauffer Chemical at Butte. Both these operations were established in the 1950s to take advantage of low-cost power from Hungry Horse Dam. The Bonneville Power Administration, which markets federal power west of the Continental Divide, and the Bureau of Reclamation in eastern Montana also sell power to private utilities and to rural electric cooperatives. Because of the federal dams located within its borders, Montana is a net exporter of electric power. With the completion of Libby Dam, which will offer no low-cost at-site power and will transmit most of its power to the Pacific Northwest states, the proportion of power exported from Montana will increase.

Montana's private utilities west of the Continental Divide--Montana Power and Pacific Power and Light--also are a part of the Northwest regional power system. Montana-Dakota Utilities in eastern Montana is tied to the West Central system.

The discussion on coal in the minerals chapter of this report indicates that steam plants will in the future assume greater importance in Montana, and that such plants producing power strictly for export are

a possibility. With the construction of The Montana Power Company's coal-fueled J. E. Corette plant in Billings in 1968, about 18 percent of Montana's total capacity (private and public) was based on coal utilization; the proportion will drop when Libby Dam comes into production.

Electric power costs to commercial and industrial users in Montana are low compared to national average charges; residential users in the middle consumption levels--500 to 1,000 kilowatt-hours (kwh) per month--pay about the same as the typical United States consumer. In all cases, prices are considerably higher than those paid by consumers in Washington and Oregon, states where cheap hydroelectric facilities also exist.[22] To some extent, higher charges in Montana are caused by the higher distribution costs involved in serving a large, sparsely settled area. The existence of a larger proportion of subsidized publicly owned utilities in Washington and Oregon presumably helps keep costs lower there.

As private utilities in Montana turn to coal for the production of electric power, power costs can be expected to rise.

Two of the electric utilities in the state also market natural gas. Montana consumers in the western and central part of the state are supplied by The Montana Power Company and in eastern Montana by Montana-Dakota Utilities. The gas comes from Montana fields and from Canada, Wyoming, and North Dakota. More than half the gas consumed in Montana is for residential and commercial purposes; only 42 percent of natural gas sales

---

22. Federal Power Commission, Typical Electric Bills, 1969, FPC R-75 (Washington, D.C.: U.S. Government Printing Office, 1969), table 3, p. xiv, and pp. xxiii, xxiv, xxvii, and xxviii.

in the state in 1966 went to industrial users, compared to 52 percent in the United States.[23]

The demand for electricity and gas in the United States is expected to increase somewhat more slowly in coming years, as a result of power-saving innovations such as transistors and fluorescent lighting. Efforts also may be made to slow the increase in consumption to prevent further environmental degradation caused by generating facilities, especially steam plants. It is difficult to predict what effect these efforts will have during the next ten years. In Montana, expansion in these utilities will be limited by a slow growth in population. Because of this, the utilities industries cannot be expected to be a significant source of new jobs.

The Outlook

During most of the years since 1950, the transportation, communication, and public utilities industries have been providing vital services to Montanans with fewer and fewer employees. Between 1953 and 1968, their combined employment dropped from 23,300 to 17,600. All of the jobs lost were railroad jobs; other transportation facilities and communication and utility services added to the number of their employees (table 6.1). The same trends are expected to continue until 1980, except that both the losses in railroads and the gains in other areas are expected to be

---

23. U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1968, 89th edition (Washington, D.C.: U.S. Government Printing Office, 1968), table 771, p. 522.

smaller. By industry, the 1968 employment estimates and the 1980 employment projections of the Montana Economic Study are:[24]

	Number of Workers	
	1968	1980
Railroads	6,900	4,400
Other transportation	4,500	5,000
Communication and electric, gas, and sanitary services	6,200	6,600
Total	17,600	16,000

Montana needs jobs and it needs the kind of well-paying jobs the railroads have provided. To anticipate the loss of 2,500 more railroad jobs over the next decade is not a happy thought, but the best evidence indicates that such a decline is likely. A slowly growing demand for communication and utility services in Montana plus further increases in output per employee mean that there is little chance that those industries will be able to offset the loss.

24. Table 6.1; and "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 4.

CHAPTER 7

GOVERNMENT

Government activities have always been economically important in Montana. Forty-two percent of the state's land area--61,179 of 145,878 square miles--is leased, owned, or held in trust by the federal and state governments.[1] Montana lumbermen depend upon national forests for their timber supply; stockmen graze their cattle on federal and state lands. Montana farmers depend upon agricultural subsidies. It is not unusual for half the construction workers employed in the state to be working on government projects. Prospectors have looked for minerals under federal subsidies and mining companies have produced for federal stockpiles. Hunters, fishermen, hikers, and campers all use the public lands. In addition, Montanans must cope with a multitude of local agencies--approximately

---

1. The Montana Almanac: 1959-60 Edition (Missoula, Montana: Montana State University [now University of Montana] Press, 1958), pp. 3, 4, and 6.

1,100 units of local government, including 56 counties, 125 municipalities, 713 school districts, and 209 special districts, with such diverse purposes as fire protection, irrigation, soil conservation, and the provision of sewer facilities.[2] Discussion in this chapter will be limited mostly to the employment generated by the various government agencies and programs, and the impact of that employment on the state. Government finance, including taxation and expenditure programs of the state and its subdivisions, has not been included because it is being investigated in the Montana Fiscal Affairs Study, also underway during 1969-70.

Government is Montana's largest employer: over 52,000 people, one of every five persons at work in 1969, were employed by either a local, state, or federal agency.[3] These figures include only civilian employment; military personnel are not included. If we added the approximately 5,200 military people stationed at Malmstrom Air Force Base, Great Falls, and the additional military personnel scattered around the state at various radar installations, recruiting offices, and other facilities, total government employment, civilian and military combined, would approach 60,000.[4]

Government is also Montana's most rapidly growing employer: between 1950 and 1969, total civilian public employment in the state increased 84 percent. Among the other major industry groups in Montana, only the

---

2. U.S. Department of Commerce, Bureau of the Census, Census of Governments: 1967, Governmental Organization, vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1968), table 17, p. 104.

3. Table 7.1; and Employment Security Commission of Montana and U.S. Department of Labor, Manpower Administration, Montana Annual Statewide Work Force Report for 1969 (Helena, Montana, February 1970), table C.

4. U.S. Department of Housing and Urban Development, Federal Housing Administration, Analysis of the Great Falls, Montana, Housing Market as of July 1, 1968 (Washington, D.C., 1969), p. 5. (U.S. Department of Defense)

finance industries approached that percentage rate of growth. Even so, government employment in the state did not grow as fast as it did in the United States. Montana's 84 percent increase may be compared to a 103 percent expansion in total government employment throughout the country; federal employment was up 40 percent in the state and 43 percent in the nation; and comparable figures for state and local government were plus 102 percent in Montana and plus 131 percent in the country as a whole.[5]

In 1969, 18 percent of Montana's total earnings (wages and salaries, other labor income, and proprietors' income) was paid to government workers, including federal military personnel.[6]

Montana has more federal, state, and local government workers in relation to its population than the country as a whole. In October 1969, there were approximately 157 federal employees per 10,000 population in Montana compared to 141 per 10,000 in the entire country, and there were 451 state and local workers per 10,000 Montanans compared to 404 per 10,000 population in all the states combined.[7] One may speculate that the huge acreages of public lands in Montana and the importance of agriculture in the state serve to keep federal employment high in relation to population. At the same time, Montana's small and scattered population works against the efficiencies of size in state and local government which sometimes

---

5. State figures based on data in table 7.1; national figures from U.S. Department of Labor, Manpower Report of the President: A Report on Manpower Requirements, Resources, Utilization and Training (Washington, D.C.: U.S. Government Printing Office, 1970), table C-1, p. 265.

6. U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., 1970).

7. U.S. Department of Commerce, Bureau of the Census, Public Employment in 1969, Series GE69-no. 1 (Washington, D.C.: U.S. Government Printing Office, 1970), tables 5 and 10, pp. 11 and 31.

comes with larger numbers of residents and fewer and larger government units.

The pay is considerably better in federal agencies than in state or local government. In 1968, rough estimates indicate that the average pay for federal employment in the state was at the rate of $6,667 per year, about the same as the average for all manufacturing employees but well above the average of $5,579 for the 121,000 Montana workers covered by unemployment insurance.[8] On the other hand, state and local government employees, with annual earnings at an average rate of $4,512, make up one of the lowest paid groups in the state, along with trade and service workers.[9] The large number of part-time employees in state and local government employment probably help pull the average down. Government employment generally is not seasonal; in 1969, for example, it varied from an estimated 50,800 in January to 53,100 in September, a fairly low swing compared to seasonal employment in other industry groups.[10]

Federal Government

Federal civilian employment in the state amounted to about 11,600 workers in 1969--more than were employed in the whole complex of

---

8. Federal pay estimate based on data from table 7.1 and from U.S. Department of Commerce, Office of Business Economics, Survey of Current Business, vol. 49, no. 8 (August 1969), table 52, p. 20; and average for all workers covered by unemployment insurance from Employment Security Commission of Montana, unpublished data (Helena, Montana).

9. Based on data from table 7.1 and from U.S. Department of Commerce, Survey of Current Business, table 52, p. 20.

10. Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana).

firms connected with the mineral industries, more than either the wood products, construction, or finance industries (table 7.1).

The increase in federal employment between 1950 and 1969 was quite modest--approximately 40 percent. As table 7.1 shows, the 11,600 federal workers in 1969 actually made up the smallest number since 1962; after reaching a peak of 12,700 in 1967, the number of federal employees in Montana declined in 1968 and 1969. Some of the loss took place in Valley County, where the Glasgow Air Force Base was closed as of July 1, 1968, putting its civilian employees out of work. No similar decline in federal employment occurred at the national level; there, total federal employment continued to climb slowly.

Not enough information is available to be able to determine which federal agencies contributed to the net increase in number of workers between 1950 and 1969. Tables 7.2 and 7.3 do indicate that the distribution of federal employment in Montana is very different from the national pattern. For the United States as a whole, of course, the Defense Department is the big employer, with 43 percent of all civilian employment. The Post Office Department employs 25 percent, and the Veterans Administration another 6 percent (table 7.2). The proportion of total employment in these 3 agencies: 74 percent. The multitude of departments and agencies other than Defense, Post Office, and the Veterans Administration employ only 26 percent of all federal workers in the United States.

In Montana, the Department of Agriculture is the largest employer, with 26 percent of all federal workers; the Post Office Department ranks second, with 23 percent; the Department of the Interior employs 17 percent; and the Defense Department comes in fourth with 12 percent of total

TABLE 7.1

Civilian Government Employment in Montana
1950-1969

Year	All Civilian Government Employment			
	Number	Percentage of Total Nonagricultural Employment	Federal	State and Local
1950	28,300	19.0	8,300	20,000
1951	27,800	18.4	8,500	19,300
1952	29,100	18.7	8,800	20,300
1953	29,300	18.7	9,200	20,100
1954	30,700	19.5	9,300	21,400
1955	30,900	19.1	9,100	21,800
1956	32,400	19.2	9,000	23,400
1957	33,800	20.5	9,200	24,600
1958	35,800	22.0	9,300	26,500
1959	37,000	22.4	9,300	27,700
1960	38,500	23.1	9,900	28,600
1961	40,000	23.9	10,900	29,100
1962	41,200	24.0	11,500	29,700
1963	43,000	24.6	12,000	31,000
1964	44,700	25.4	11,800	32,900
1965	45,900	25.5	12,100	33,800
1966	48,100	25.8	12,400	35,700
1967	51,800	27.2	12,700	39,100
1968	53,300	27.4	12,300	41,000
1969[a]	52,100	26.5	11,600	40,500

Source: Employment Security Commission of Montana and U.S. Department of Labor, Bureau of Labor Statistics, "Employees on Montana Nonagricultural Payrolls," Montana Labor Market: Employment Series by Months, Supplement 1 (Helena, Montana).

Note: Totals may not add because of rounding.

[a]Preliminary.

TABLE 7.2

Federal Civilian Employment in Montana
and the United States
December 31, 1968

Agency	Number of Employees		Percentage of Total	
	Montana	United States[a]	Montana	United States
Total federal employment	10,201	2,957,638	100.0	100.0
Department of Defense	1,273	1,272,855	12.5	43.0
Post Office Department	2,383	738,628	23.4	25.0
Veterans Administration	494	170,960	4.8	5.8
Other departments and agencies	6,051	775,195	59.3	26.2

Source: U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 574, p. 399.

[a]Includes Washington, D.C.

TABLE 7.3

Federal Civilian Employment in Montana, by Agency
December 31, 1968

Agency	Number of Employees	Percentage of Total
Total federal employment	10,201	100.0
Department of Agriculture	2,607	25.6
Post Office Department	2,383	23.4
Department of the Interior	1,727	16.9
Department of Defense	1,273	12.5
Army	295	2.9
Air Force	976	9.6
Other defense	2	----[a]
Department of Health, Education, and Welfare	643	6.3
Veterans Administration	494	4.8
Department of Transportation	341	3.3
Other departments and agencies	733	7.2

Source: U.S. Civil Service Commission, Annual Report of Federal Civilian Employment in the United States by Geographic Area, December 31, 1968, Pamphlet SM 68-03 (Washington, D.C.: U.S. Government Printing Office, 1970), pp. 122-123.

[a]Less than 0.1 percent.

federal civilian employment (table 7.3). Thus with the exception of the Post Office Department, federal agencies concerned with natural resources and the management of federal lands are the big employers in Montana. Among them, in the Department of Agriculture, are the Forest Service, the Soil Conservation Service, and the Agricultural Conservation and Stabilization Service; and in the Interior Department, such agencies as the Bureau of Reclamation, the Bureau of Indian Affairs, the Bureau of Labor Management, and the National Park Service.

Federal civilian employment in Montana is concentrated in Regions I, II, and IV, and more specifically in Missoula, Cascade and Yellowstone Counties (table 7.4). Nearly all the military employment is in Regions II and III. Federal nonmilitary activities are particularly important to western Montana (Region I), where 8 percent of total earnings came from federal civilian employment in 1966. About 40 percent of federal wages and salaries paid out in Region I go to employees in Missoula County, with its extensive Forest Service offices, but several of the smaller western counties are even more dependent upon federal payrolls. In Lake and Mineral Counties, 11 percent of total earnings went to federal civilian employees; in Ravalli County, site of the Rocky Mountain Laboratory, federal payrolls accounted for 19 percent of total earnings.[11] In other regions of the state, federal civilian employment provided from 4.5 to 6.2 percent of total earnings (table 7.4).

The figures for earnings of military personnel in table 7.4 are especially interesting. In 1966, roughly $20 million, or 14 percent of total earnings in Region III, was in the form of military wages. Most of

---

11. U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

TABLE 7.4

Total Earnings From Federal Government, by Economic Regions, Montana, 1966

Region	Federal Government Earnings ($000)			Percentage of Total Earnings		
	Civilian	Military	Total	Civilian	Military	Total
The state	83,000	59,000	141,000	5.6	4.0	9.5
Region I[a]	21,689	2,479	24,168	7.9	0.9	8.8
Region II[b]	19,263	30,975	50,238	4.5	7.3	11.8
Region III[c]	7,473	19,784	27,257	5.1	13.6	18.7
Region IV[d]	17,638	2,448	20,086	5.4	0.7	6.1
Region V[e]	12,235	1,541	13,776	5.0	0.6	5.7
Region VI[f]	4,366	1,412	5,778	6.2	2.0	8.2

Source: U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

Notes: Earnings figures represent income from current participation in the labor force: wages and salaries, other labor income, and proprietors' income.

Since 1966, the state total has been revised to $142 million, or 9.4 percent of the revised total earnings figure.

Totals may not add because of rounding.

[a]Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders Counties.

[b]Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, Meagher, Petroleum, Phillips, Pondera, Teton, and Toole Counties.

[c]Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux Counties.

[d]Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, Madison, Park, Powell, and Silver Bow Counties.

[e]Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, Treasure, Wheatland, and Yellowstone Counties.

[f]Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties.

the $20 million was paid to personnel at Glasgow Air Force Base in Valley County, and it represented one-third of the total earnings in that county. Another 7 percent of total earnings was paid by the federal government to civilian employees, most of whom worked at the Air Force Base. In total, 39 percent of the total 1966 earnings of Valley County came from the federal government.[12] It is not surprising that the closing of the Glasgow Base was a shocking experience for that county.

It still is not clear whether another use can be found for the facilities at the base. At the present time, AVCO Economic Systems Corporation is operating several programs there under contract with the federal government. Whether or not permanent, nonsubsidized activities can be established at this remote location remains to be seen.

Military income also is important in Region II, with Malmstrom Air Force Base and its 5,200 military personnel located in Cascade County. Because the region and the county are much larger than Region III and Valley County and include a greater variety of industry, Malmstrom does not exert the overwhelming influence that the Glasgow Air Force Base did in its location. But this is not to say that military activities are unimportant in Region II. In 1966, military income accounted for 7 percent of total earnings in the region and 14 percent in Cascade County.[13] Civilian employment at Malmstrom, estimated at approximately 700 in 1968, also adds to the earnings from military activities.[14] So do the wages of the several thousand missile installation workers who have been in

---

12. Ibid.

13. Data from table 7.4; and U.S. Department of Commerce, Office of Business Economics, unpublished data (1969).

14. U.S. Department of Housing and Urban Development, Analysis of the Great Falls, Montana Housing Market, p. 5.

the area most of the time during the 1960s, although they are attributed to construction or manufacturing. Clearly, the military is big business in Region II, especially in Great Falls and its vicinity. It is going to become bigger as the installation of the Safeguard Ballistic Missile complex continues. (See Chapter 4 on construction.) When the complex is operational, the number of military personnel stationed in the region will increase by approximately 900 and another 600 civilian workers will be employed.[15] Most of these people will live at the missile sites, near Conrad in Pondera County and near Shelby in Toole County, both in Region II.

The closing of the Glasgow Base and the experiences of Valley County emphasize the precarious position of an area heavily dependent upon any one activity or employer. They also inspire speculation as to the probable life span of Malmstrom Air Force Base. For the time being, that installation appears to be permanent; nevertheless, one would expect Great Falls community leaders and businessmen to feel more secure if some other significant economic activities could be attracted to the area and some of the eggs removed from the military basket.

Despite the uncertainties caused by the impermanence of military bases, most federal employment is stable employment. Federal employees rarely are laid off when times are bad. Communities with substantial proportions of federal employment usually are assured of a steady payroll. One thinks of Hamilton, with its Rocky Mountain Laboratory, or Missoula, with its Forest Service activities.

---

15. U.S. Department of Defense, Briefing Text for Presentation to Governor Forrest H. Anderson, Helena, Montana, 24 November 1969 (Helena, Montana, 1969), p. 11.

In the Montana Economic Study, federal employment has been defined as primary employment--the kind which creates export services and encourages additional derivative employment.[16] Certainly this seems to be true of the work done by persons engaged in the management of the public lands--the national forests, the national parks, and the grazing lands; of research work such as that done at Hamilton; and of military activities in the state. These are services performed for all Americans, not just Montanans. The presence of these federal facilities and personnel in Montana creates employment in retail stores, banks, and other businesses, and agencies such as public schools whose purpose it is to provide the goods and services Montanans need.

The National Planning Association expects federal civilian employment in the United States to increase 60 percent between 1968 and 1980.[17] The Montana Economic Study projects an employment increase of only 34 percent, from 12,300 workers in 1968 to 16,500 in 1980, for Montana.[18] This is a smaller increase than the National Planning Association sees for Montana; it assumes that many of the federal programs which will require large numbers of new employees will be concentrated in the large urban areas and not in sparsely populated states such as Montana. Nevertheless, during the next decade, federal civilian employment will become somewhat more important in this state.

---

16. "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 2 (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, in progress).

17. National Planning Association, Center for Economic Projections, State Economic and Demographic Projections to 1975 and 1980, Regional Economic Projections Series, Report 70-R-1 (Washington, D.C., 1970), table 3.13, p. S-54.

18. "The Montana Economy," pt. 1, chap. 4, p. 4.14.

The preceding pages have described the importance of federal government employment and payrolls in Montana and have made some references to other federal activities. No discussion of federal government programs in Montana should fail also to mention the tremendous impact of federal grants-in-aid to state and local governments and to individuals. In fiscal 1967, grants in Montana under federal aid programs amounted to $170.7 million (table 7.5). Some of the largest of these--for agricultural programs and highway construction--were touched upon in Chapters 1 and 4. Federal money for these purposes amounted to $118.4 million in fiscal 1967--69 percent of the total. Many other important state and local programs rely heavily on federal money--among them most public assistance and anti-poverty programs, education, public health, and unemployment insurance.

Figures on federal payrolls and federal grants-in-aid are relatively easy to obtain, but they do not by any means measure the total extent of federal expenditures in a state. Omitted are such items as social security benefits, payments to firms who build dams and military installations and interest paid to individuals, banks and other firms, and state and local governments. All of these are important in Montana. They also are figures which are difficult to obtain for states.

One of the most complete compilations of federal expenditures and revenues by states has been done by the Library of Congress Legislative Reference Service.[19] This report found that total federal expenditures in Montana during fiscal years 1965-1967 averaged $529 million per year

---

19. Harriet J. Halper and I. M. Labovitz, Federal Revenues and Expenditures in the Several States: Averages for the Fiscal Years 1965-67, The Library of Congress Legislative Reference Service, S-119 (Washington, D.C., 1968).

TABLE 7.5

Federal Aid to State and Local Governments and Individuals in Montana, Fiscal 1967

Program	Amount[a] ($000,000)
Total[b]	170.7
Agricultural conservation, extension work, and research	65.8
Highways	52.6
Education	13.9
Public assistance	8.2
Conservation practices	5.1
National Guard	5.0
Anti-poverty	4.6
Public health research and services	3.4
Unemployment insurance	3.0
Food distribution	1.9
Vocational rehabilitation	1.3
Veterans benefits	1.1
Urban development and public works	0.9
Child care	0.8

Source: U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), table 544, pp. 380-381.

[a]Includes grants-in-aid, shared revenues, loans and advances, and technical assistance.

[b]Includes programs not shown separately.

(table 7.6). This figure was based on the allocation among the states of approximately seven-eighths of all federal expenditures during the period; the remaining expenditures were either too difficult to allocate or were made outside the 50 states and the District of Columbia. The researchers were able to allocate all of the federal revenue collected, and so the state revenue figures are not strictly comparable to the less complete expenditure totals. Total revenues collected by the federal government in Montana are estimated to have averaged $400.1 million during the 3-year period from 1965 through 1967 (table 7.7).

When these figures are put on a per capita basis, they indicate that average annual federal expenditures in Montana during 1965-1967 were equal to 128 percent of the national average. That is, federal expenditures per person in Montana were 28 percent higher than in the entire country. The report found, on the other hand, that per capita revenue collections in Montana were equal to only 84 percent of the national average; that is, the federal government collected 16 percent less revenue per person in Montana than in the United States during the same years.[20] While these data are very rough, they seem to indicate that the federal money spent in Montana substantially exceeds the taxes and other revenue collected.

Throughout Part 2 of this report, the importance of federal activities in Montana has been emphasized. It is worth repeating again that the impact of the federal government on the state's economy is indeed substantial and that its contribution is far greater than employment figures alone would indicate.

---

20. Ibid., table 1, p. 31.

TABLE 7.6

Estimated Total Federal Expenditures in Montana:
Averages for Fiscal Years 1965-1967

Major Category	Expenditures ($000,000)
Total expenditures allocated	528.9
Payments to personal income, total	249.6
Pay of civilian and military personnel	125.3
All other payments to personal incomes[a]	124.3
Military outlays other than pay of personnel	110.5
Payments to state and local governments	88.8
Interest payments to business and others not included in payments to personal income	15.7
All other allocated expenditures	64.3

Source: Harriet J. Halper and I. M. Labovitz, Federal Revenues and Expenditures in the Several States: Averages for the Fiscal Years 1965-67, The Library of Congress Legislative Reference Service, S-119 (Washington, D.C.: U.S. Government Printing Office, 1968), table 5, p. 39.

[a]Includes social security benefits.

TABLE 7.7

Estimated Total Federal Revenue Collected in Montana: Averages for Fiscal Years 1965-1967

Major Category	Revenue ($000,000)
Total revenues allocated	400.1
Nontax revenues allocated	22.6
Taxes and customs, total	377.5
Individual income tax	143.5
Employment taxes[a]	82.0
Corporate income tax	88.5
Estate and gift taxes	5.4
Excise taxes and customs	58.1

Source: Harriet J. Halper and I. M. Labovitz, Federal Revenues and Expenditures in the Several States: Averages for the Fiscal Years 1965-67, The Library of Congress Legislative Reference Service, S-119 (Washington, D.C.: U.S. Government Printing Office, 1968), table 4, p. 37.

[a]Includes state and local government contributions for their employees under old-age, survivors, disability, and health insurance system.

State and Local Government

State and local government units (including the public schools) employed approximately 40,500 people in Montana in 1969--twice as many as in 1950 (table 7.1). These figures, from the Employment Security Commission of Montana, include both full- and part-time workers. The doubling of state and local government employees in two decades is evidence of the increased demand for public services in Montana--an increase in demand that involves better services as well as more services.

The figures in table 7.8 show how employment in various types of governmental activity has increased. These numbers are not comparable to those in table 7.1; they represent full-time equivalent workers and therefore are much smaller. The earliest year for which these data are available is 1953, so the comparison here must be between 1953 and 1969.

More than 8,000 of the 12,800 state and local government employees added between 1953 and 1969 were public school teachers, college professors, and other employees of the public schools and the University system. Growing numbers of school children meant more teachers must be employed. The 4,000 teachers added to school district payrolls accounted for 32 percent of the total increase in state and local government employment. The number of University employees was over four times as large in 1969 as in 1953, reflecting not only a growing population but the higher proportion of young people who are attending college nowadays. University employees accounted for 30 percent of the total increase in state and local jobs. Altogether, then, education accounted for 62 percent of all additional state and local employment between 1953 and 1969.

TABLE 7.8

State and Local Government Employment: Full-Time Equivalent Workers, by Function, Montana, October 1953 and October 1969

Function	Number of Workers October 1953	Number of Workers October 1969	Percent Change
All functions	18,466	31,302	69.5
Education	8,127	16,061	97.6
Higher education	1,234[a]	5,115[a]	314.5
Local schools	6,893	10,946	58.8
Highways	2,616	3,574	36.6
Public welfare	430	841	95.6
Health and hospitals	905	2,623	189.8
Police protection	762	1,360	78.5
Fire protection	272	350	28.7
Sanitation, including sewerage	184	338	83.7
Natural resources	1,292	1,083	-16.2
Utilities and state liquor stores	702	667	-5.0
Other and unallocable	3,176	4,405	38.7

Sources: [1953] U.S. Department of Commerce, Bureau of the Census, State Distribution of Public Employment in 1953, G-GE53-no. 5 (Washington, D.C.: U.S. Government Printing Office, 1954), table 10, p. 26.

[1969] U.S. Department of Commerce, Bureau of the Census, Public Employment in 1969, GE69-no. 1 (Washington, D.C.: U.S. Government Printing Office, 1970), table 8, pp. 19-23.

[a]Includes a small number of persons involved in education other than in institutions of higher education or public schools.

In response to public demand for more and better quality services, substantial percentage increases in employment also occurred in public welfare, health and hospital services, police protection, and sanitation. In most cases, the number of persons involved was small. The decline reported in employment in the natural resources area is hard to believe; one wonders whether some change was not made in classification during the period. Unfortunately, not enough documentation appears in the original reports to check this hypothesis. We do know, however, that in 1969 Montana employed proportionately more workers in natural resources than most other states; the figures in table 7.9 verify this.

When state and local employment figures are presented in terms of full-time equivalent employment per 10,000 population, comparisons among areas of different size are possible. In October 1969, Montana had the equivalent of 451 full-time state and local employees per 10,000 people; among the 50 states, the ratios ranged from a high of 598 per 10,000 in Wyoming to a low of 342 per 10,000 in Pennsylvania. Eleven states had proportionately more state and local government employment than Montana, among them our neighboring states of South Dakota, Wyoming, Nevada, Washington, and Oregon.[21] Table 7.9 shows that a little more than half the state and local government workers in Montana are employed in education. This is not unusual; about the same proportion holds for the United States. The big difference occurs in how employment in education is distributed. The number of teachers and other employees in the public schools is approximately the same in relation to population, but Montana

---

21. U.S. Department of Commerce, Bureau of the Census, Public Employment in 1969, Series GE69-no. 1 (Washington, D.C.: U.S. Government Printing Office, 1970), table 10, p. 29.

TABLE 7.9

State and Local Government Employment: Full-Time Equivalent Workers per 10,000 Inhabitants, by Functions, Montana and the United States October 1969

Function	Number of Workers		Montana's Rank Among the States
	United States	Montana	
All functions	404.1	451.0	12
Education, total	201.2	231.4	14
Higher education	38.5	70.1	3
Local schools	159.7	157.7	29
Other education	3.0	3.6	26
Functions other than education	202.9	219.6	9
Highways	27.7	51.5	4
Public welfare	11.5	12.1	15
Hospitals and health	45.5	37.8	30
Police and fire protection	30.4	24.6	31
Sewerage and other sanitation	8.7	4.9	41
Parks and recreation	5.7	2.4	40
Natural resources	7.3	15.6	8
Correction	6.5	6.7	13
Libraries	2.8	3.5	9
Employment Security Administration	3.4	4.7	9
Financial administration	10.2	15.2	6
General control	12.1	19.1	3
Local utilities	12.8	4.9	45
State liquor stores	0.7	4.7	1
Other and unallocable	17.6	11.9	38

Source: U.S. Department of Commerce, Bureau of the Census, Public Employment in 1969, Series GE69-no. 1 (Washington, D.C.: U.S. Government Printing Office, 1970), table 10, pp. 29-31.

employs many more people in higher education in proportion to its population. Montanans no doubt owe at least part of this burden to the existence of six units of the University system.

In other areas of state and local government, Montana's employment ratios frequently differ significantly from national relationships. The importance of highways and natural resources in Montana has been noted before. Only three states employ more workers to look after their highways, in proportion to their population, than does Montana; seven states employ proportionately more workers in natural resources. Not all states operate liquor stores, so Montana has proportionately more liquor store employees--ranking number one among the states. This is offset in part by fewer employees in local utilities, which are not usually publicly owned in Montana. And the large number of local government units, state agencies, boards, and commissions in Montana no doubt contributes to the relatively heavy employment reported under administration and general control (table 7.9).

If the quality of services is related to the number of workers involved, then Montanans receive significantly fewer public services in such vital areas as hospitals and health, police and fire protection, sanitation, and parks and recreation. It should be noted, however, that employment in these areas has been growing rapidly. It is likely that Montanans will continue to bring pressure for better hospitals and mental health facilities, more policemen and firemen, better sewer and other sanitary facilities, and more and better state and local park and recreation facilities.

Tables 7.10 through 7.12 make some comparisons with national averages for per capita revenue and expenditures. More information as to revenue and expenditures may be found in the Montana Fiscal Affairs Study, which is being conducted concurrently with the Montana Economic Study. Table 7.10

TABLE 7.10

Per Capita General Revenue of State and Local Governments
Montana and the United States, Fiscal 1968

Source	Montana	United States Average	Montana's Rank Among the States
Total general revenue	$564.12	$506.67	13
From federal government	127.95	85.96	9
From own sources	436.17	420.71	16
Taxes	339.75	338.09	18
Property taxes	191.61	138.83	6
Other taxes	148.14	199.26	42
Charges and miscellaneous	96.42	82.61	15

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1967-68, Series GF68-no. 5 (Washington, D.C.: U.S. Government Printing Office, 1969), table 22, p. 45.

TABLE 7.11

Per Capita General Expenditure of State and Local Governments
Montana and the United States, Fiscal 1968

Item	Montana	United States Average	Montana's Rank Among the States
Total general expenditure	$553.29	$512.41	19
Capital outlay	154.25	117.51	8
Other than capital outlay	399.03	394.91	24

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1967-68, Series GF68-no. 5 (Washington, D.C.: U.S. Government Printing Office, 1969), table 22, p. 45.

TABLE 7.12

Per Capita General Expenditures of State and Local Government by Function
Montana and the United States, Fiscal 1968

Function	Montana	United States Average	Montana's Rank Among the States
Total general expenditures	$553.29	$512.41	19
Education	236.16	205.93	20
Higher education	68.76	51.11	17
Local schools	160.28	146.63	16
Other education	7.11	8.19	34
Highways	126.99	72.46	7
Capital outlay	94.10	48.61	5
Other than capital outlay	32.88	23.85	14
Public welfare	35.43	49.32	32
Hospitals and health	22.97	37.76	47
Capital outlay	0.86	3.68	48
Other than capital outlay	22.10	34.07	43
Police and fire protection	16.18	25.18	36
Sewerage and other sanitation	11.90	13.55	21
Parks and recreation	3.62	7.06	38
Financial administration	10.80	8.06	10
General control	10.02	10.19	23
Interest on general debt	11.26	16.34	35
All other general expenditures	67.91	66.57	17

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1967-68, Series GF68-no. 5 (Washington, D.C.: U.S. Government Printing Office, 1969), table 22, pp. 45-48.

confirms the dependence of Montana's state and local governments upon federal revenues, already noted earlier in this chapter. Table 7.11 shows that total general expenditures by state and local governments are higher in Montana than in the United States mostly because of higher capital outlays; and in table 7.12, these high capital outlays are revealed to be mostly for highway construction. Table 7.12 also generally reinforces the comments made earlier when employment ratios in Montana and the United States were compared. The differences are not always so great, and the same detail as to functions is not always available. When considering these expenditure figures, the reader should keep in mind that per capita income in Montana is well below the national average. The higher per capita expenditures represent a considerably heavier burden than that carried by residents of many other states.

Montana's sparse population and its great distances make it difficult and expensive for its state and local governments to provide adequate services. The state ranks fourth in the nation in terms of area; it ranked 43rd in population in 1968.[22] Beaverhead County, largest in the state with 5,556 square miles of land area, had a population of 7,900 in 1968.[23] The state of Connecticut with 4,870 square miles had a population of 3 million.[24]

---

22. U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1969, 90th edition (Washington, D.C.: U.S. Government Printing Office, 1969), tables 11 and 243, pp. 12 and 163.

23. The Montana Almanac: 1959-60 Edition, p. 3; and "Population Estimates for Montana Counties as of July 1, 1968" (Missoula, Montana: Bureau of Business and Economic Research, University of Montana, June 1969).

24. U.S. Department of Commerce, Statistical Abstract: 1969, tables 11 and 243, pp. 12 and 163.

As a consequence, Montanans have found themselves saddled with a large number of small governmental units. Of the state's 56 counties, only 7 had a population of more than 25,000 in 1960; 65 of its 125 incorporated towns had a population of less than 1,000.[25] Yet each county and city unit requires its complement of government workers. Sixty-four percent of Montana's school districts had less than 50 pupils in October 1966; in the United States, only 30 percent had so few students.[26] Of those school districts in the state which reported their geographic area to the 1967 Census of Governments, 52 percent encompassed more than 100 square miles of area; the proportion in the United States was 32 percent.[27] It is reasonable to assume that the existence of so many small governmental units must increase costs, reduce efficiency, and perhaps result in lower quality services.

Many local services, such as schools, police and fire protection, must be provided on the spot or at least within a reasonable driving distance, thus the large number of local government units. This is not always true of state services, but distances have created problems for state government as well.

Although Montanans certainly have not been niggardly in their expenditures (as witness the per capita figures in tables 7.10-7.12), they frequently have been unable to provide public facilities that are within easy reach of the entire population. In the early days, the population

---

25. U.S. Department of Commerce, Census of Governments: 1967, Governmental Organizations, vol. 1, table 17, p. 104.

26. Ibid., table 13, pp. 40 and 54.

27. Ibid., table 16, p. 85.

was concentrated in the Helena-Butte-Anaconda area. As a result six state institutions are located in that area. They are the state capitol at Helena, the prison at Deer Lodge, the state hospitals at Warm Springs and Galen, the Boulder River School at Boulder, and the Mountain View School at Helena. Thirty-one percent of the population of the state now lives more than 200 miles from these institutions--and 200 miles is still at least a 3-hour drive under the best of conditions.[28] Other cases could be cited; the dearth of public health services in sparsely settled eastern Montana has drawn considerable attention in recent months.

It would be pleasant to be able to report that a satisfactory solution was in sight, that there was a more or less painless way to provide more and better government services for Montana residents. Unfortunately, the outlook for economic growth in the state gives little hope that revenues for state and local government will become more abundant without new sources of tax revenue and a heavier per capita tax burden. Readers interested in the state's fiscal problems should consult the Montana Fiscal Affairs Study, to be published in 1970.

The foregoing paragraphs and the accompanying tables have provided a brief survey of changes in state and local government employment in Montana and have compared the number of workers providing various government services and the amount of per capita expenditures for these services with the averages for the 50 states. The intent has been to provide some idea of the financial effort Montanans make to provide governmental services and to point out some of the difficulties involved.

---

28. Based on "Population Estimates for Montana Counties as of July 1, 1968" (Bureau of Business and Economic Research).

But employment in state and local government, like that in any other industry group, also has an economic effect on the state. In 1966, wages paid to state and local government employees amounted to 11 percent of total participation income in Montana (table 7.13). (Participation income includes wages and salaries, other labor income, and proprietors' income.)

State and local government employment assumes its greatest importance as a source of income in Region IV, which encompasses the Helena-Butte-Anaconda area and the six institutions mentioned above, as well as Gallatin County, home of Montana State University. The Montana College of Mineral Science and Technology adds to state employment in Butte. Sixteen percent of total earnings in Region IV came from state and local government payrolls in 1966 (table 7.13). During the same year, state and local payrolls provided 24 percent of total earnings in Powell County; 23 percent in Gallatin; and 21 percent in Lewis and Clark.[29]

It was noted earlier that pay is not particularly good in state and local government jobs--the annual earnings rate is approximately $4,500, making state and local government employees among the lowest paid in the state.[30]

The National Planning Association expects the number of state and local government workers in the United States to increase rapidly (64 percent between 1963 and 1980) as demands for services at the state and local level continue to grow.[31] Such a rate of growth seems incredible

---

29. U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

30. Based on data from table 7.1 and from U.S. Department of Commerce, Survey of Current Business, table 52, p. 20.

31. Al-Samarrie, Economic Projections to 1980: Growth Patterns for the Coming Decade, table VI-8, p. S-71.

TABLE 7.13

Total Earnings From State and Local Government
by Economic Regions
Montana, 1966

Region	State and Local Government Earnings ($000)	Percentage of Total Earnings
The state	160,000	10.8
Region I[a]	27,944	10.2
Region II[b]	34,877	8.2
Region III[c]	14,022	9.6
Region IV[d]	52,607	16.0
Region V[e]	23,234	9.6
Region VI[f]	7,713	11.0

Source: U.S. Department of Commerce, Office of Business Economics, unpublished data (Washington, D.C., February 1969).

Notes: Earnings figures represent income from current participation in the labor force: wages and salaries, other labor income, and proprietors' income.

Totals may not add because of rounding.

Since 1966, the total earnings estimate for the state has been revised and state and local government earnings now equal 10.6 percent of total earnings.

[a]Includes Flathead, Granite, Lake, Lincoln, Mineral, Missoula, Ravalli, and Sanders Counties.

[b]Includes Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, Meagher, Petroleum, Phillips, Pondera, Teton, and Toole Counties.

[c]Includes Daniels, Dawson, McCone, Richland, Roosevelt, Sheridan, Valley, and Wibaux Counties.

[d]Includes Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Lewis and Clark, Madison Park, Powell, and Silver Bow Counties.

[e]Includes Big Horn, Carbon, Golden Valley, Musselshell, Stillwater, Sweet Grass, Treasure, Wheatland, and Yellowstone Counties.

[f]Includes Carter, Custer, Fallon, Garfield, Powder River, Prairie, and Rosebud Counties.

for Montana; this study anticipates a much slower growth--about 32 percent--over the same period. Montanans want better government services, but there is a limit to what they can afford. A 32 percent increase would make state and local government one of the fastest growing industries in Montana and would put its total employment at 54,300 in 1980, enough to make state and local agencies by far the largest employers in the state.[32] No doubt these agencies also will remain among the lowest-paying employers, with all that this implies for average earnings per workers and for per capita income.

The Outlook: A Final Word

Part 2 of the Montana Economic Study has provided a description of Montana's major industries, and has evaluated their role as employers and their prospects for increased employment. The conclusions have not always been pleasant; not many of the state's industries seem likely to provide significant numbers of new jobs. Among the notable exceptions are government and services.

The two major sources of new employment in Montana between 1968 and 1980 are expected to be state and local government, with 13,400 new jobs, and the service industries, with 12,400. In third place, although on a much smaller scale, is the federal government, which is projected to increase its employment by 4,200. If the major industry groups are ranked by expected rate of growth, then services, with an anticipated 41 percent increase, ranks first, followed by government, with a projected gain of 33 percent for all levels combined. These projections indicate

---

32. "The Montana Economy," Research Report of the Montana Economic Study, pt. 1, chap. 4.

that in 1980 one of every four Montanans employed--whether a wage and salary worker or self-employed--will be working for some government agency.[33]

The Montana Economic Study anticipates that total government employment in 1980 will be 70,900, compared to 53,300 in 1968:[34]

	Number of Workers	
	1968	1980
Federal government	12,300	16,500
State and local government	41,000	54,400
Total	53,300	70,900

Surely, Montanas can take little joy from the prospect that during the next decade the industry which provides the largest number of new jobs again may be government. There is little doubt that many government services, particularly at the state and local level, need to be expanded, but Montana needs a strong and growing private economy to provide the basis for an expansion in government services.

The message running through the pages of these chapters of the Montana Economic Study has been that this growth is not likely to occur in the 1970s.

---

33. Ibid.

34. Ibid., and table 7.1.